

# **Albaraka Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated financial statements  
and related disclosures at December 31, 2019  
together with independent auditors' report**

*(Convenience translation of the independent auditors' report and  
financial statements originally issued in Turkish – see section three Note I.b)*

**Convenience Translation of the Independent Auditor's Report originally issued in Turkish  
(See Note 1.b of Section Three)**

**INDEPENDENT AUDITOR'S REPORT**

**To the General Assembly of Albaraka Türk Katılım Bankası A.Ş**

**Report on the Unconsolidated Financial Statements**

**Opinion**

We have audited the accompanying unconsolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated statement of financial position as at 31 December 2019, unconsolidated statement of profit and loss and unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2019 and financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

**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 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with 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.

**Other Matter**

The unconsolidated financial statements of the Bank as at 31 December 2018 was audited by another audit firm, which expressed an unqualified opinion in their report issued on 4 March 2019.

**Key Audit Matters**

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

Key Audit Matter	How the matter is addressed in our audit
<p><b><i>Financial impact of IFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures</i></b></p> <p>We considered the impact of IFRS 9 to the financial statements which outlines the expected credit loss calculations of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- Policies implemented by the Bank management regarding expected credit loss calculation include compliance risk to the regulations and other practices.</li> <li>- New or re-structured processes of TFRS 9 are advanced and complex.</li> <li>- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul>	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices.</li> <li>- Reviewing and testing of new or re-structured processes and systems which are used for the calculation of expected credit losses by involving our IT and Process audit specialists.</li> <li>- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.</li> <li>- Involving financial risk management specialists to assess the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance and evaluating the alignment of those forward looking parameters to Bank's internal processes.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sampling basis.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> </ul>

## **Responsibilities of Management and Those Charged With Governance for the Unconsolidated Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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

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

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

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 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 code 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 Emre Çelik.

**Additional paragraph for convenience translation to English**

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

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



Emre Celik, SMMM  
Associate Partner

February 10, 2020  
İstanbul, Türkiye



## UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

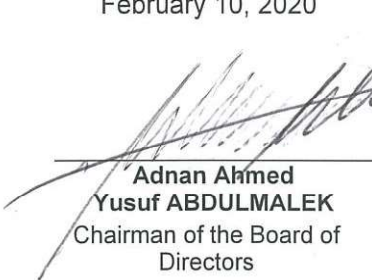





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The unconsolidated year ended financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in **thousands of Turkish Lira** unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

February 10, 2020

 <b>Adnan Ahmed Yusuf ABDULMALEK</b> Chairman of the Board of Directors	 <b>Melikşah UTKU</b> General Manager	 <b>Mustafa ÇETİN</b> Assistant General Manager	 <b>Kemaleddin DİLBAZ</b> Financial Reporting Manager
 <b>Mustafa BÜYÜKABACI</b> Chairman of the Audit Committee	 <b>Süleyman KALKAN</b> Member of the Audit Committee	 <b>Mehmet ASUTAY</b> Member of the Audit Committee	

Contact information of the personnel in charge of the addressing of questions about this financial report:

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**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**SECTION ONE**

**GENERAL INFORMATION**

**I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:**

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under Secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks' published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in İstanbul and is operating through 228 (December 31, 2018: 229) local branches and 2 (December 31, 2018: 1) foreign branch and with 3.791 (December 31, 2018: 3.988) staff as of December 31, 2019.

**II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:**

As of December 31, 2019, 54,06% (December 31, 2018: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain, 7,84% (December 31, 2018: 7,84%) owned by Islamic Development Bank, 25,25% (December 31, 2018: 25,22%) of the shares are publicly traded and quoted at Borsa İstanbul. Rest belongs to different real persons and corporate entities. As of December 31, 2019, the Bank has completed capital increase through rights issues and additional TL 450.000 has been represented under "other capital reserves" since the new capital has not been registered yet. After the registration, Albaraka Banking Group's share will be 36,29% on the issued capital amounts to TL 1.350.000

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**

(Thousand of Turkish Lira (TL) unless otherwise stated)

**III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any<sup>(\*)</sup>:**

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
<b>Chairman of the Board of Directors (BOD):</b>	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	<sup>(*)</sup> 0,0000
<b>Members of BOD:</b>	Osman AKYÜZ	II.Chairman of BOD	Bachelor	-
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	<sup>(*)</sup> 0,0000
	Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	<sup>(*)</sup> 0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	<sup>(*)</sup> 0,0000
	Süleyman KALKAN	Member of BOD	Bachelor	-
	Mustafa BÜYÜKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Prof. Dr. Mehmet ASUTAY	Member of BOD	Doctorate	-
	Wasim Ahmed ABDULWAHAB <sup>(**)</sup>	Member of BOD	Master	-
	Prof. Dr. Kemal VAROL	Member of BOD	Doctorate	-
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
<b>General Manager:</b>	Melikşah UTKU	Member of BOD/General Manager	Master	-
<b>Assistant General Managers:</b>	Turgut SİMİTÇİOĞLU	Assistant General Manager Responsible for Credit Risks	Master	-
	Mustafa ÇETİN	Assistant General Manager Responsible for Finance and Strategy	Bachelor	-
	Nevzat BAYRAKTAR	Assistant General Manager Responsible for Sales	Bachelor	-
	Hasan ALTUNDAĞ	Assistant General Manager Responsible for Marketing	Bachelor	-
	Malek Khodr TEMSAH	Assistant General Manager Responsible for Treasury and Financial Institutions	Master	-
	Fatih BOZ	Assistant General Manager Responsible for Credits	Master	-
	Volkan Evcil	Assistant General Manager Responsible for Central Operations	Bachelor	-
	Süleyman ÇELİK	Assistant General Manager Responsible for Human Values and Administrative Affairs	Bachelor	-
	Süleyman ÇELİK (Deputy)	Assistant General Manager Responsible for Information Technologies	Bachelor	-
<b>Chief Legal Consultancy</b>	Hasan AVŞAR	Chief Legal Consultant	Bachelor	-
<b>Audit Committee:</b>	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	-
	Süleyman KALKAN	Member of Audit Committee	Bachelor	-
	Prof. Dr. Mehmet ASUTAY	Member of Audit Committee	Doctorate	-

<sup>(\*)</sup> The share amounts of these persons are between TL 1-10 (full).

<sup>(\*\*)</sup> Resigned on January 22, 2020.

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0000% of the Bank's share capital (December 31, 2018: 0,0000%)

**IV. Information on the Bank's qualified shareholders:**

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name/commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54,06% <sup>(*)</sup>	486.523	-

<sup>(\*)</sup> Shares purchased by the Parent Group from Stock Exchange is not included. Related share rate and paid up shares are valid before the capital increase through rights issues completed in December 2019. Since the capital has not been registered yet, the share rates and paid up shares are represented taking the balance sheet balance (TL 900.000) as reference and base. After the registration, Albaraka Banking Group's share will be 36,29% on the issued capital amounts to TL 1.350.000

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**V. Summary on the Bank's service activities and field of operations:**

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current accounts and participation accounts based on profit and loss sharing agreements and investment agency agreements, which are only for legal entities. Bank lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment) and accumulated participation accounts.

The Bank may determine the profit rate following operating the participation accounts or estimated rates for investment agencies. The rate of participation accounts' participation to the loss is one hundred percent.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, as an insurance agency on behalf of Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services. Moreover, the Bank is involved in providing non-cash loans that mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions, which are deducted from equity or not included in these three methods:**

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Insha GmbH the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Bereket One Ltd and Albaraka Sukuk Ltd, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power have been included in the consolidation due to the reason that these companies are "Structured Entity". Investment Funds "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" and Venture Capital Investment Funds "Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu" and "Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu" and other investments funds controlled by the Bank have been consolidated as well. Due to non-financial ownership, "Albaraka Kültür Sanat ve Yayıncılık A.Ş. and Albaraka Teknoloji Bilişim Sistemleri ve Pazarlama Ticaret A.Ş." which are the subsidiaries of the Bank have not been consolidated.

**VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and its subsidiaries:**

There is no immediate transfer of equity between the Bank and its subsidiaries. There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries

## **SECTION TWO**

### **The unconsolidated financial statements**

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

ASSETS	Notes (Section Five-I)	Audited CURRENT PERIOD December 31, 2019			Audited PRIOR PERIOD December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>5.151.819</b>	<b>12.063.213</b>	<b>17.215.032</b>	<b>3.206.334</b>	<b>10.260.210</b>	<b>13.466.544</b>
<b>1.1 Cash and Cash Equivalents</b>	<b>(1)</b>	<b>2.512.261</b>	<b>10.453.589</b>	<b>12.965.850</b>	<b>1.315.531</b>	<b>9.802.734</b>	<b>11.118.265</b>
1.1.1 Cash and Balances with Central Bank		1.426.702	7.369.207	8.795.909	509.720	5.408.661	5.918.381
1.1.2 Banks		1.102.737	3.084.595	4.187.332	822.685	4.394.362	5.217.047
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4. Expected Credit Losses (-)		17.178	213	17.391	16.874	289	17.163
<b>1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>	<b>(2)</b>	<b>1.798.852</b>	<b>435.301</b>	<b>2.234.153</b>	<b>1.110.506</b>	<b>6.741</b>	<b>1.117.247</b>
1.2.1 Government Securities		99.148	435.174	534.322	834	-	834
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		1.699.704	127	1.699.831	1.109.672	6.741	1.116.413
<b>1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b>	<b>(3)</b>	<b>840.568</b>	<b>1.174.064</b>	<b>2.014.632</b>	<b>778.787</b>	<b>450.735</b>	<b>1.229.522</b>
1.3.1 Government Securities		813.658	1.150.767	1.964.425	708.161	350.353	1.058.514
1.3.2 Equity Securities		15	23.297	23.312	15	13.455	13.470
1.3.3 Other Financial Assets		26.895	-	26.895	70.611	86.927	157.538
<b>1.4 Derivative Financial Assets</b>	<b>(5)</b>	<b>138</b>	<b>259</b>	<b>397</b>	<b>1.510</b>	<b>-</b>	<b>1.510</b>
1.4.1 Derivative Financial Assets Measured at Fair Value through Profit/Loss		138	259	397	1.510	-	1.510
1.4.2 Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>		<b>16.998.224</b>	<b>14.745.234</b>	<b>31.743.458</b>	<b>16.594.878</b>	<b>10.208.617</b>	<b>26.803.495</b>
<b>2.1 Loans</b>	<b>(6)</b>	<b>17.019.778</b>	<b>13.617.465</b>	<b>30.637.243</b>	<b>16.796.658</b>	<b>10.265.568</b>	<b>27.062.226</b>
<b>2.2 Lease Receivables</b>	<b>(7)</b>	<b>227.356</b>	<b>16.322</b>	<b>243.678</b>	<b>375.304</b>	<b>4.250</b>	<b>379.554</b>
<b>2.3 Financial Assets Measured at Amortised Cost</b>	<b>(4)</b>	<b>638.021</b>	<b>1.356.298</b>	<b>1.994.319</b>	<b>618.506</b>	<b>-</b>	<b>618.506</b>
2.3.1 Government Securities		638.021	1.296.462	1.934.483	618.506	-	618.506
2.3.2 Other Financial Assets		-	59.836	59.836	-	-	-
<b>2.4 Expected Credit Losses (-)</b>	<b>(6)</b>	<b>886.931</b>	<b>244.851</b>	<b>1.131.782</b>	<b>1.195.590</b>	<b>61.201</b>	<b>1.256.791</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(8)</b>	<b>124.196</b>	<b>284</b>	<b>124.480</b>	<b>648.970</b>	<b>718</b>	<b>649.688</b>
3.1 Asset Held for Resale		124.196	284	124.480	648.970	718	649.688
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. OWNERSHIP INVESTMENTS (Net)</b>	<b>(9)</b>	<b>51.837</b>	<b>18.311</b>	<b>70.148</b>	<b>33.837</b>	<b>5.907</b>	<b>39.744</b>
<b>4.1 Associates (Net)</b>		<b>4.897</b>	<b>-</b>	<b>4.897</b>	<b>4.897</b>	<b>-</b>	<b>4.897</b>
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		4.897	-	4.897	4.897	-	4.897
<b>4.2 Subsidiaries (Net)</b>		<b>26.940</b>	<b>18.311</b>	<b>45.251</b>	<b>8.940</b>	<b>5.907</b>	<b>14.847</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries		5.400	18.311	23.711	5.400	5.907	11.307
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		21.540	-	21.540	3.540	-	3.540
<b>4.3 Joint Ventures (Net)</b>		<b>20.000</b>	<b>-</b>	<b>20.000</b>	<b>20.000</b>	<b>-</b>	<b>20.000</b>
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		20.000	-	20.000	20.000	-	20.000
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(10)</b>	<b>1.496.510</b>	<b>19.905</b>	<b>1.516.415</b>	<b>655.230</b>	<b>219</b>	<b>655.449</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(11)</b>	<b>30.535</b>	<b>-</b>	<b>30.535</b>	<b>31.419</b>	<b>-</b>	<b>31.419</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		30.535	-	30.535	31.419	-	31.419
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>45</b>	<b>-</b>	<b>45</b>	<b>3.492</b>	<b>-</b>	<b>3.492</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(13)</b>	<b>166.390</b>	<b>-</b>	<b>166.390</b>	<b>170.099</b>	<b>-</b>	<b>170.099</b>
<b>X. OTHER ASSETS</b>	<b>(14)</b>	<b>274.713</b>	<b>251.152</b>	<b>525.865</b>	<b>362.058</b>	<b>41.664</b>	<b>403.722</b>
<b>TOTAL ASSETS</b>		<b>24.294.269</b>	<b>27.098.099</b>	<b>51.392.368</b>	<b>21.706.317</b>	<b>20.517.335</b>	<b>42.223.652</b>

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

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

LIABILITIES	Notes (Section Five-II)	Audited			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		December 31, 2019			December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	14.696.620	25.072.788	39.769.408	11.779.608	16.843.865	28.623.473
<b>II. FUNDS BORROWED</b>	(2)	2.843.246	1.691.379	4.534.625	1.834.328	5.017.765	6.852.093
<b>III. BORROWINGS FROM MONEY MARKETS</b>		18.237	-	18.237	771.957	-	771.957
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>	(3)	504	345	849	1.545	-	1.545
6.1 Derivative Financial Liabilities at Fair Value through Profit or Loss		504	345	849	1.545	-	1.545
6.2 Derivative Financial Liabilities at Fair Value through Other Comprehensive Income		-	-	-	-	-	-
<b>VII. LEASE PAYABLES</b>	(4)	287.755	12.905	300.660	-	-	-
<b>VIII. PROVISIONS</b>	(5)	133.162	1.590	134.752	89.535	736	90.271
8.1 Restructuring Reserves		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		99.231	-	99.231	73.321	-	73.321
8.3 Insurance Technical Reserves (Net)		-	-	-	-	-	-
8.4 Other Provisions		33.931	1.590	35.521	16.214	736	16.950
<b>IX. CURRENT TAX LIABILITY</b>	(6)	68.084	4.874	72.958	53.041	3.181	56.222
<b>X. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(7)	-	-	-	-	-	-
11.1 Assets Held for Sale		-	-	-	-	-	-
11.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XII. SUBORDINATED LOANS</b>	(8)	-	1.375.164	1.375.164	-	1.204.297	1.204.297
12.1 Loans		-	1.375.164	1.375.164	-	1.204.297	1.204.297
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>	(9)	1.156.348	207.438	1.363.786	1.288.023	74.320	1.362.343
<b>XIV. SHAREHOLDERS' EQUITY</b>	(10)	3.785.896	36.033	3.821.929	3.269.225	(7.774)	3.261.451
14.1 Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2 Capital Reserves		1.345.134	-	1.345.134	845.976	-	845.976
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserves		1.345.134	-	1.345.134	845.976	-	845.976
14.3 Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss		243.404	-	243.404	234.708	-	234.708
14.4 Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss		76.661	36.033	112.694	33.270	(7.774)	25.496
14.5 Profit Reserves		1.430.225	-	1.430.225	1.300.967	-	1.300.967
14.5.1 Legal Reserves		136.027	-	136.027	134.082	-	134.082
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		1.294.198	-	1.294.198	1.166.885	-	1.166.885
14.5.4 Other Profit Reserves		-	-	-	-	-	-
14.6 Profit or Loss		(209.528)	-	(209.528)	(45.696)	-	(45.696)
14.6.1 Prior Years Profit/(Loss)		(272.957)	-	(272.957)	(179.664)	-	(179.664)
14.6.2 Current Year Profit/(Loss)		63.429	-	63.429	133.968	-	133.968
<b>TOTAL LIABILITIES</b>		<b>22.989.852</b>	<b>28.402.516</b>	<b>51.392.368</b>	<b>19.087.262</b>	<b>23.136.390</b>	<b>42.223.652</b>

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF OFF-BALANCE SHEET	Notes (Section Five-III)	Audited			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		December 31, 2019			December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>6.884.242</b>	<b>5.792.399</b>	<b>12.676.641</b>	<b>6.476.432</b>	<b>5.967.594</b>	<b>12.444.026</b>
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>5.128.502</b>	<b>5.302.936</b>	<b>10.431.438</b>	<b>4.655.835</b>	<b>5.389.862</b>	<b>10.045.697</b>
1.1. Letters of Guarantees		5.099.099	3.619.295	8.718.394	4.625.551	3.949.014	8.574.565
1.1.1. Guarantees Subject to State Tender Law		697.926	62.581	760.507	569.981	58.456	628.437
1.1.2. Guarantees Given for Foreign Trade Operations		15	835.718	835.733	399	966.333	966.732
1.1.3. Other Letters of Guarantee		4.401.158	2.720.996	7.122.154	4.055.171	2.924.225	6.979.396
1.2. Bank Loans		-	14.463	14.463	-	39.338	39.338
1.2.1. Import Letter of Acceptances		-	14.463	14.463	-	39.338	39.338
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		257	1.329.663	1.329.920	7.980	1.221.635	1.229.615
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		257	1.329.663	1.329.920	7.980	1.221.635	1.229.615
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	339.515	339.515	-	170.661	170.661
1.7. Other Collaterals		29.146	-	29.146	22.304	9.214	31.518
<b>II. COMMITMENTS</b>	(1)	<b>1.722.506</b>	<b>389.607</b>	<b>2.112.113</b>	<b>1.553.305</b>	<b>315.080</b>	<b>1.868.385</b>
2.1. Irrevocable Commitments		1.722.506	389.607	2.112.113	1.553.305	315.080	1.868.385
2.1.1. Asset Purchase and Sale Commitments		47.797	389.607	437.404	161.878	315.080	476.958
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		262.517	-	262.517	215.439	-	215.439
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		631.606	-	631.606	537.673	-	537.673
2.1.7. Tax And Fund Liabilities from Export Commitments		10.381	-	10.381	6.906	-	6.906
2.1.8. Commitments for Credit Card Expenditure Limits		769.342	-	769.342	630.690	-	630.690
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		335	-	335	332	-	332
2.1.10. Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		528	-	528	387	-	387
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>33.234</b>	<b>99.856</b>	<b>133.090</b>	<b>267.292</b>	<b>262.652</b>	<b>529.944</b>
3.1. Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		33.234	99.856	133.090	267.292	262.652	529.944
3.2.1. Forward Foreign Currency Buy/Sell Transactions		33.234	41.953	75.187	27.630	25.097	52.727
3.2.1.1. Forward Foreign Currency Transactions-Buy		27.547	10.149	37.696	27.630	-	27.630
3.2.1.2. Forward Foreign Currency Transactions-Sell		5.687	31.804	37.491	-	25.097	25.097
3.2.2. Other Forward Buy/Sell Transactions		-	57.903	57.903	239.662	237.555	477.217
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>72.616.853</b>	<b>16.137.385</b>	<b>88.754.238</b>	<b>68.732.410</b>	<b>13.762.534</b>	<b>82.494.944</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>3.812.406</b>	<b>3.053.641</b>	<b>6.866.047</b>	<b>2.380.394</b>	<b>2.083.413</b>	<b>4.463.807</b>
4.1. Assets Under Management		1.522.915	-	1.522.915	393.768	-	393.768
4.2. Investment Securities Held in Custody		72	26.320	26.392	72	4.118	4.190
4.3. Cheques Received for Collection		1.480.111	285.800	1.765.911	1.448.653	225.232	1.673.885
4.4. Commercial Notes Received for Collection		543.651	76.306	619.957	494.993	50.417	545.410
4.5. Other Assets Received for Collection		103	-	103	103	-	103
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		210.617	341.146	551.763	9.316	356.885	366.201
4.8. Custodians		54.937	2.324.069	2.379.006	33.489	1.446.761	1.480.250
<b>V. PLEDGED ITEMS</b>		<b>68.804.447</b>	<b>13.083.744</b>	<b>81.888.191</b>	<b>66.352.016</b>	<b>11.679.121</b>	<b>78.031.137</b>
5.1. Marketable Securities		10.007.092	3.875.114	13.882.206	10.540.645	3.388.191	13.928.836
5.2. Guarantee Notes		1.223.615	193.710	1.417.325	1.099.082	155.984	1.255.066
5.3. Commodity		3.520.395	1.194.171	4.714.566	2.097.532	926.359	3.023.891
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		51.035.646	5.913.841	56.949.487	49.073.908	5.963.148	55.037.056
5.6. Other Pledged Items		2.763.503	1.898.042	4.661.545	3.307.628	1.240.217	4.547.845
5.7. Pledged Items-Depository		254.196	8.866	263.062	233.221	5.222	238.443
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>79.501.095</b>	<b>21.929.784</b>	<b>101.430.879</b>	<b>75.208.842</b>	<b>19.730.128</b>	<b>94.938.970</b>

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF PROFIT OR LOSS	Notes (Section Five-IV)	Audited	Audited
		CURRENT PERIOD January 1- December 31, 2019	PRIOR PERIOD January 1- December 31, 2018
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>3.344.284</b>	<b>3.019.738</b>
1.1 Profit Share on Loans		2.978.582	2.651.251
1.2 Income Received from Reserve Deposits		51.897	58.557
1.3 Income Received from Banks		2.273	1.940
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		287.680	235.414
1.5.1 Financial Assets at Fair Value Through Profit and Loss		5.612	834
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		173.487	146.963
1.5.3 Financial Assets Measured at Amortised Cost		108.581	87.617
1.6 Finance Lease Income		20.202	70.404
1.7 Other Profit Share Income		3.650	2.172
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>2.521.054</b>	<b>2.000.179</b>
2.1 Expense on Profit Sharing Accounts		1.601.892	1.337.809
2.2 Profit Share Expense on Funds Borrowed		749.442	552.653
2.3 Profit Share Expense on Money Market Borrowings		103.162	103.864
2.4 Profit Share Expense on Securities Issued		-	-
2.5 Finance Lease Expense		59.485	-
2.6 Other Profit Share Expense		7.073	5.853
<b>III. NET PROFIT SHARE INCOME (I – II)</b>		<b>823.230</b>	<b>1.019.559</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>299.829</b>	<b>198.153</b>
4.1 Fees and Commissions Received		395.485	293.170
4.1.1 Non-Cash Loans		123.572	114.573
4.1.2 Other	<b>(3)</b>	271.913	178.597
4.2 Fees and Commissions Paid (-)		95.656	95.017
4.2.1 Non-Cash Loans		431	420
4.2.2 Other	<b>(3)</b>	95.225	94.597
<b>V. DIVIDEND INCOME</b>	<b>(4)</b>	<b>-</b>	<b>177</b>
<b>VI. TRADING INCOME/LOSS(net)</b>	<b>(5)</b>	<b>323.709</b>	<b>358.815</b>
6.1 Capital Market Transaction Income/(Loss)		162.177	49.441
6.2 Profit/(Loss) from Derivative Financial Instruments		(21.992)	(26.231)
6.3 Foreign Exchange Income/(Loss)		183.524	335.605
<b>VII. OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>543.084</b>	<b>360.618</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.989.852</b>	<b>1.937.322</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>(7)</b>	<b>773.996</b>	<b>607.836</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>		<b>16.411</b>	<b>2.690</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>667.274</b>	<b>535.985</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(8)</b>	<b>444.878</b>	<b>622.316</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>87.293</b>	<b>168.495</b>
<b>XIV. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XVI. PROFIT/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>	<b>(9)</b>	<b>87.293</b>	<b>168.495</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(10)</b>	<b>23.864</b>	<b>34.527</b>
18.1 Provision for Current Taxes		4.722	3.071
18.2 Deferred Tax Expense Effect (+)		220.539	171.354
18.3 Deferred Tax Income Effect (-)		201.397	139.898
<b>XIX. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>(11)</b>	<b>63.429</b>	<b>133.968</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(11)</b>	<b>-</b>	<b>-</b>
20.1 Income from Assets Held For Sale		-	-
20.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
20.3 Income from Other Discontinued Operations		-	-
<b>XXI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1 Loss from Assets Held for Sale		-	-
21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
21.3 Loss from Other Discontinued Operations		-	-
<b>XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
23.1 Provision for Current Taxes		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(12)</b>	<b>63.429</b>	<b>133.968</b>
Earnings Per Share		0,07	0,15

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

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME AS OF DECEMBER 31, 2019**

(Thousand of Turkish Lira (TL) unless otherwise stated)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited	Audited
	CURRENT PERIOD January 1- December 31, 2019	PRIOR PERIOD January 1- December 31, 2018
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>63.429</b>	<b>133.968</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>95.894</b>	<b>35.205</b>
<b>Other Income/Expense Items not to be Recycled to Profit or</b>		
<b>2.1 Loss</b>	<b>8.696</b>	<b>11.512</b>
2.1.1 Revaluation Surplus on Tangible Assets	31.588	26.779
2.1.2 Revaluation Surplus on Intangible Assets	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(13.716)	(2.892)
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	(6.497)	(7.655)
Deferred Taxes on Other Comprehensive Income not to be		
2.1.5 Recycled to Profit or Loss	(2.679)	(4.720)
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>87.198</b>	<b>23.693</b>
2.2.1 Translation Differences	15.949	36.000
Income/Expenses from Valuation and/or Reclassification of		
Financial Assets Measured at Financial Assets Measured at Fair		
2.2.2 Value through Other Comprehensive Income	91.345	(15.778)
2.2.3 Gains/losses from Cash Flow Hedges	-	-
Gains/Losses on Hedges of Net Investments in Foreign		
2.2.4 Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
Deferred Taxes on Other Comprehensive Income to be Recycled		
2.2.6 to Profit or Loss	(20.096)	3.471
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>159.323</b>	<b>169.173</b>

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Audited)							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
		Notes (Section Five-V)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves <sup>(1)</sup>	1	2	3	4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
CURRENT PERIOD (January 1 – December 31, 2019)																
I.	Closing balance	(V)	900.000	-	-	845.976	251.889	(17.181)	-	56.689	(31.193)	-	1.300.967	(179.664)	133.968	3.261.451
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	(17.304)	-	(17.304)
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	(17.304)	-	(17.304)
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		900.000	-	-	845.976	251.889	(17.181)	-	56.689	(31.193)	-	1.300.967	(196.968)	133.968	3.244.147
IV.	Total Comprehensive Income		-	-	-	-	19.021	(10.325)	-	15.949	71.249	-	-	-	63.429	159.323
V.	Capital Increase in Cash		-	-	-	464.855 <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	464.855
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	34.303	-	-	-	-	-	-	(130)	(80.569) <sup>(**)</sup>	-	(46.396)
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	129.388	4.580	(133.968)	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	129.388	(129.388)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	133.968	(133.968)	-
Balances at end of the period (III+IV...+X+XI)			900.000	-	-	1.345.134	270.910	(27.506)	-	72.638	40.056	-	1.430.225	(272.957)	63.429	3.821.929

<sup>(\*)</sup> The bank has recognized unmatured additional tier 1 capital amounting to USD 205.000.000 issued through "Bereket One Ltd" under "other capital reserves as per "TAS 32: "Financial Instruments: Presentation" standart.

<sup>(\*\*)</sup> The Bank has paid TL 112.284 in February 2019 and August 2019, the coupon payment amount of unmatured additional tier 1 capital Sukuk and has recognized it under "prior periods' profit / loss". TL 25.746, the deferred tax expense related to the payment has been recognized under "prior periods' profit/ loss" as well.

<sup>(\*\*\*)</sup> Under "other capital reserves" the Bank has represented TL 450.000, the amount related to capital increase through rights issues which is completed but not registered as of December 2019 and premium on issued shares amount to TL 14.855

1. Tangible and Intangible Assets Revaluation Reserve,
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)
4. Exchange Differences on Translation,
5. Accumulated gains/ (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2018**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Audited)						Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Notes (Section Five-V)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
PRIOR PERIOD (January 1 – December 31, 2018)															
I. Closing balance	(V)	900.000	-	-	431	238.121	(14.925)	-	20.689	(18.886)	-	1.113.454	5.529	237.093	2.481.506
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	(152.480) <sup>(*)</sup>	-	(152.480)
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(152.480)	-	(152.480)
III. Adjusted Balances at Beginning of Period (I+II)		900.000	-	-	431	238.121	(14.925)	-	20.689	(18.886)	-	1.113.454	(146.951)	237.093	2.329.026
IV. Total Comprehensive Income		-	-	-	-	13.768	(2.256)	-	36.000	(12.307)	-	-	-	133.968	169.173
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	775.720 <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	775.720
X. Others Changes		-	-	-	69.825	-	-	-	-	-	-	-	(37.293) <sup>(***)</sup>	-	32.532
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	187.513	4.580	(237.093)	(45.000)
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(45.000)	-	(45.000)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	187.513	(187.513)	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	237.093	(237.093)	-
Balances at end of the period (III+IV...+X+XI)		900.000	-	-	845.976	251.889	(17.181)	-	56.689	(31.193)	-	1.300.967	(179.664)	133.968	3.261.451

<sup>(\*)</sup> Includes deferred tax asset for general provisions arising from equity and banks shares amounting to TL 64.991 recognized under shareholders' equity for TFRS 9 adjustment.

<sup>(\*\*)</sup> The bank has recognized unmatured additional tier 1 capital amounting to USD 205.000.000 which is issued through "Bereket One Ltd" under "other capital reserves as per "TAS 32: "Financial Instruments: Presentation" standart.

<sup>(\*\*\*)</sup> The Bank has paid TL 60.051 in August 2018, the coupon payment amount of unmatured additional tier 1 capital Sukuk and has recognized it under "prior periods' profit / loss".

1. Tangible and Intangible Assets Revaluation Reserve,
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)
4. Exchange Differences on Translation,
5. Accumulated gains/ (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF CASH FLOWS	Notes (Section Five-VI)	Audited CURRENT PERIOD January 1- December 31, 2019	Audited PRIOR PERIOD January 1- December 31, 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>1.669.570</b>	<b>627.473</b>
1.1.1 Profit Share Income Received		3.064.507	2.729.673
1.1.2 Profit Share Expense Paid		(1.627.649)	(1.294.030)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		271.913	178.597
1.1.5 Other Income		276.949	199.466
1.1.6 Collections from Previously Written Off Loans	(V-I-6,h2)	375.756	470.048
1.1.7 Payments to Personnel and Service Suppliers		(818.563)	(754.081)
1.1.8 Taxes Paid		(48.849)	(81.513)
1.1.9 Others	(V-VI-3)	175.506	(820.687)
<b>1.2 Changes In Operating Assets And Liabilities</b>		<b>3.792.464</b>	<b>2.425.533</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(981.152)	(80.279)
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions		(1.880.278)	(3.745.587)
1.2.3 Net (Increase) Decrease in Loans		(3.888.029)	416.434
1.2.4 Net (Increase) Decrease in Other Assets		(85.738)	1.895.807
1.2.5 Net Increase (Decrease) in Bank Deposits		617.972	(49.134)
1.2.6 Net Increase (Decrease) in Other Deposits		9.642.797	3.504.846
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		-	-
1.2.9 Net Increase (Decrease) in Matured Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	(V-VI-3)	366.892	483.446
<b>I. Net Cash Flow From Banking Operations</b>		<b>5.462.034</b>	<b>3.053.006</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>(1.768.972)</b>	<b>57.933</b>
2.1 Cash Paid For Acquisition of Investments, Associates and Subsidiaries		(30.404)	(9.447)
2.2 Cash Obtained From Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(37.978)	(59.162)
2.4 Disposals of Property and Equipment		133.491	73.252
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(3.402.388)	(2.315.527)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2.875.207	2.414.450
2.7 Purchase of Financial Assets Measured at Amortised Cost	(V-I-4)	(1.498.768)	(187.962)
2.8 Sale of Financial Assets Measured at Amortised Cost	(V-I-4)	191.868	142.329
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Flow From Financing Activities</b>		<b>(3.854.988)</b>	<b>817.503</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		22.571.042	18.562.916
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(26.696.471)	(18.416.082)
3.3 Issued Capital Instruments		464.855	-
3.4 Dividends Paid		-	(45.000)
3.5 Leases Paid <sup>(1)</sup>		(82.130)	-
3.6 Other		(112.284)	715.669
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(V-VI-3)	<b>235.821</b>	<b>290.406</b>
<b>V. Net (Decrease) Increase in Cash and Cash Equivalents</b>		<b>73.895</b>	<b>4.218.848</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(V-VI-a)	<b>7.108.571</b>	<b>2.889.723</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(V-VI-b)	<b>7.182.466</b>	<b>7.108.571</b>

<sup>(1)</sup> As of December 31, 2019, it includes the payments related to the leases recognized in the financial statements within the scope of "IFRS 16 - Leases", which is applied as of January 1, 2019.

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION**  
**AS OF DECEMBER 31, 2019**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF PROFIT APPROPRIATION	Audited	Audited
	CURRENT PERIOD December 31, 2019	PRIOR PERIOD December 31, 2018
<b>I. Distribution of current year income</b>		
1.1. Current year income	87.293	168.495
1.2. Taxes and duties payable (-)	23.864	34.527
1.2.1. Corporate tax (Income tax)	4.722	3.071
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities <sup>(*)</sup>	19.142	31.456
<b>A. Net income for the year (1.1-1.2)</b>	<b>63.429</b>	<b>133.968</b>
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	6.698
1.5. Other statutory reserves (-)	-	4.580
<b>B. Distributable net period income [(A-(1.3+1.4+1.5))] <sup>(**)</sup></b>	<b>63.429</b>	<b>122.690</b>
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	122.690
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares <sup>(***)</sup> (Full TL)	0,070	0,136
3.2. To owners of ordinary shares (%)	7,05	13,63
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.4. To owners of preferred shares (%)	-	-

<sup>(\*)</sup> Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit appropriation; thus it is classified under extraordinary reserves.

<sup>(\*\*)</sup> General Assembly of the Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements.

<sup>(\*\*\*)</sup> Calculated by using the number of share certificates as of year-end.

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**SECTION THREE**

**Accounting Policies**

**I. Explanations on basis of presentation:**

**a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:**

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

**b. Additional paragraph for convenience translation:**

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

**c. Accounting policies and valuation principles applied in the preparation of financial statements:**

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS.

The Bank has started to apply TFRS 16 Leases standard ("TFRS 16") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying financial statements from 1 January 2019.

**Reclassifications of TFRS 16**

Reclassifications and remeasurements during the first time application of TFRS 16 Leases Standard dated 1 January 2019 are presented in the below table.

	<b>Note</b>	<b>31.12.2018</b>	<b>TFRS 16 Reclassification Effect</b>	<b>TFRS 16 Transition Effect</b>	<b>01.01.2019</b>
Tangible Assets (Net)	(1), (2)	655.449	1.656	286.124	943.229
Other Assets (Net)	(2)	403.722	(1.656)	-	402.066
Lease Payables (Net)	(1), (3)	-	-	286.124	286.124

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**I. Explanations on basis of presentation (continued):**

(1) In accordance with TFRS 16, the Bank recognised a lease liability and a right-of-use asset amounting to TL 286.124 as of 1 January 2019 for leases previously classified as operating lease applying TAS 17.

(2) In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TL 1.656 under tangible assets as right-of-use which were previously classified under other assets.

(3) As of 1 January 2019, the weighted average of the alternative borrowing rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 23%, 5% and 5% respectively.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

**d. Restatement of the financial statements according to the current purchasing power of money:**

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

**II. Explanations on strategy of using financial instruments and foreign currency transactions:**

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

If the loans recognized in the foreign currency accounts are switched to non performing, they are continued to be recognized in the foreign currency accounts and evaluated with the current exchange rates.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branches of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

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**III. Explanations on forward, option contracts and derivative instruments:**

The derivative financial instruments of the Bank, generally, consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

**IV. Explanations on profit share income and expenses:**

*Profit share income*

Profit share income is accounted in accordance with the internal rate of return method, which is equal to the net present value of the future cash flows of the financial asset determined in TFRS 9 and reflected to the accrual basis.

Profit-loss Investment projects are recognized under the "Loans" account in the balance sheet. Profit and loss investment projects are subject to valuation periodically every year and positive differences related to valuation are represented under "Profit Share on Loans". Negative ones are represented under "Expected Credit Losses" account.

The Bank has begun to calculate accrual for non-performing loans as of January 1, 2018. Net book value of non-performing receivables (Gross Book Value - Expected Loss Provision) is accounted at the gross book value of accruals with effective profit share rate.

*Profit share expense*

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

**V. Explanations on fees, commission income and expenses:**

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction. The commissions and fees other than those whose amortised costs are integral part of their effective profit rate, are accounted for in accordance with the TFRS 15 Revenue From Contracts With Customers Standard.

In accordance with provisions of TAS and TFRS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Other Liabilities" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

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**VI. Explanations on financial assets:**

Financial assets are recognized or derecognized according to TFRS 9 section three: "Recognition and Derecognition". 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. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

On which category financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

**Assessment of business model:**

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a classification approach on the basis of a financial instrument but an evaluation by combining financial assets.

The Bank's business models are divided into three categories. These categories are defined below:

**a) The Business model whose objective is to hold assets in order to collect contractual cash flows:**

A business model whose objective is to hold assets in order to collect contractual cash flows over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the cash flow test that includes profit share payments arising only from principal and principal amount at specific dates.

**b) The Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:**

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value changes of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the cash flows test that includes profit share payments arising only from principal and principal amount at specific dates.

**c) Other Business Models:**

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

**Contractual cash flows that contains solely payments of principal and profit share:**

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

**Financial assets at the 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 aims 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 profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at 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. The Bank recognizes profit and loss investments under "loans" as per BRSA uniform chart of accounts and measures them at fair value considering TFRS 9 provisions.



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**VI. Explanations on financial assets (continued):**

**Financial assets at fair value through other comprehensive income**

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the value corresponding to the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated Other Comprehensive Income or Expense to be Reclassified through Profit or Loss" under shareholders' equity. The accumulated fair value differences that are reflected in shareholders' equity are reflected in the income statement when the stated securities are collected or disposed.

Equity securities, which are classified as financial assets at fair value through other comprehensive income are accounted for at fair value when they are traded in an organized market and/or the fair value can be reliably measured and these financial assets are not subject to expected losses recognition.

**Financial assets measured at amortized cost:**

Financial assets that are held for collection of contractual cash flows within the scope of business model where those cash flows represent solely payments of principal and profit share on certain dates are classified as financial assets measured at amortized cost.

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 internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in income statement.

**Loans:**

Loans are non-derivative financial assets that have fixed or determinable payments terms and are not quoted in an active market. Stated loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

The Bank's all loans except profit and loss investments are recorded under the "Measured at Amortized Cost" account. As per BRSA uniform chart of accounts, the bank recognizes profit and loss investments under "loans" and considering TFRS 9 provisions, measures them at fair value.

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**VI. Explanations on financial assets (continued):**

**Loans (continued):**

Granted cash loans are accounted by using the relevant accounts in accordance with the principles set out in the "Uniform Chart of Accounts to be Applied by the Participation Banks" and published in the Official Gazette dated September 20, 2017 and numbered 30186.

The Bank periodically evaluates the provisions allocated for loans and other receivables as per TFRS 9 retrospectively and as a result of those evaluations, if appropriate, updates the classification rules and parameters on allocation of provisions.

**VII. Explanations on expected credit losses:**

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income. As of January 1, 2018, the Bank 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.

The provisions written back are credited to "provision expenses", and if such write backs are arising from previous year they are accounted under "other operating income". The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and finance lease receivables) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

Provisions for these financial assets are calculated using two different approaches: 12-month expected loss and expected lifetime loss. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

**Parameters used when calculating expected credit losses:**

**Probability of Default (PD):**

PD refers to the likelihood that a loan will default within a specified time horizon. Based on TFRS 9, the Bank uses two different PDs in order to calculate expected credit losses:

- 12-Months PD: As the estimated probability of default occurring within the next 12 months following the reporting date.
- Lifetime PD: As the estimated probability of default occurring over the remaining life of the financial instrument.

**Loss Given Default (LGD):**

If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

**Exposure at Default (EAD):**

For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion rate corresponds to the factor, which adjust the potential increase of the exposure between the current date and the default date.

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**VII. Explanations on expected credit losses (continued):**

**12 Month Expected Credit Losses (Stage 1)**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition and the delay days do not exceed 30 days. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

**Significant Increase in Credit Risk (Stage 2)**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

The Bank classifies financial assets as Level 2 by considering the following criteria:

- Loans with a delay over 30 days but not exceed 90 days
- The data obtained from the early warning system and the evaluation that the bank will make in this case
- The Bank management's conclusion that there is significant increase in credit risk. At this point, the Bank compares probability of default of the loan in its origination with current status.
- Loans for which the repayment amount is fully collateralized and the collateral falls below the net realizable value.

**Default (Stage 3/Specific Provision):**

If the following conditions exist in accordance with the Bank's internal procedures, the related financial asset is evaluated as default:

- Loans past 90 days from the last installment date (In this case, default status starts on the 91<sup>st</sup> day.)
- Loans classified as "performing loans" after restructuring and 30 days overdue in one year observation period (In this case, default status starts on the 31<sup>st</sup> day) (As per the correspondence of BRSA, dated November 21, 2019 and decision dated November 8, 2019 numbered 8653, observation period will be six months until December 31,2020)
- Loans classified as "performing loans" after restructuring and restructuring at least one more time in one year observation period. (As per the correspondence of BRSA, dated November 21, 2019 and decision dated November 8, 2019 numbered 8653, observation period will be six months until December 31,2020)

**VIII. Explanations on offsetting of financial instruments:**

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in financial assets measured at fair value through other comprehensive income and subordinated loan accounts.

**IX. Explanations on sale and repurchase agreements and lending of securities:**

Securities subject to repurchase agreement are classified as "Financial Assets Measured at Fair Value through Profit/Loss", "Financial Assets Measured at Fair Value through Other Comprehensive Income" and "Financial Assets Measured at Amortised Cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

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**X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:**

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

**XI. Explanations on goodwill and other intangible assets:**

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

**XII. Explanations on tangible assets:**

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2019, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

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**XII. Explanations on tangible assets (continued):**

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Operational lease improvement costs (Leasehold improvements)	Leasing period – 5 years
Leased assets	1- 10 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year-end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 “Turkish Accounting Standard for Impairment of Assets” and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent Capital Markets Board licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

In accordance with TFRS 16, right-of-use asset is represented under tangible assets in the balance sheet.

**XIII. Explanations on leasing transactions:**

Assets acquired under finance lease contracts are recorded both as an asset and as a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

With the “TFRS 16 Leases” standard, which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Tangible Fixed Assets” as an asset (tenure) and under “Lease Payables” as a liability. The Bank has not adjusted its prior periods’ financial statements for TFRS 16.

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting continues almost the same.

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**XIII. Explanations on leasing transactions (continued):**

The Bank has the exemption for not applying this standard to short-term leasings (leases with a rental period of 12 months or less) or to leases where the underlying asset is of low value (eg personal computers, some office equipment, etc.). At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time and depreciates the existence of the right to use as of the same date and is amortized over the lease term. If this ratio can be determined easily, lease payments are discounted using the Bank's average profit rate. If the ratio cannot be easily determined, the Bank uses its own alternative borrowing rate. The profit share expense on the lease liability and the depreciation charge of the right to use is recorded separately.

**Right to use asset:**

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 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.

While The Bank is depreciating the right-to-use asset, it utilizes the provisions for depreciation in TAS 16 Tangible Assets Standard

**The lease liabilities:**

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. If this ratio can be determined easily, lease payments are discounted using the Bank's average profit rate. If the ratio cannot be easily determined, the Bank uses its own alternative borrowing rate.

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

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

- Increases the book value to reflect the profit share rate on the lease obligation,
- Reduces the book value to reflect the lease payments made
- Measures the book value to reflect reassessments and restructuring, or reflect the fixed lease payments, which is revised but inherently fixed.

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

**XIV. Explanations on provisions and contingent liabilities:**

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets". Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle. A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.



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**XV. Explanations on liabilities regarding employee rights:**

i) *Defined benefit plans:*

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated for reasons other than misconduct or due to resignation. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income. As of December 31, 2019, there is an actuarial loss amounts to TL 35.264 before deferred tax calculation (December 31, 2018: TL 21.548 actuarial loss).

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

ii) *Defined contribution plans:*

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) *Short term benefits to employees:*

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

**XVI. Explanations on taxation:**

**Current tax:**

The Bank is subject to tax laws and legislation effective in Turkey.

While the corporate tax rate was at the rate of 20% since January 1, 2006, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

Dividends paid to the resident institutions are not subject to withholding tax in Turkey. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using current rate which must be announced by the 14<sup>th</sup> day and paid by the 17<sup>th</sup> day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of 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 fund account under liability for five years.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

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**XVI. Explanations on taxation (continued):**

**Current tax (continued):**

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

**Deferred tax:**

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the 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.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

**Transfer pricing:**

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

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**XVII. Additional explanations on borrowings:**

The Bank accounts its debt instruments in accordance with TFRS 9 “Financial Instruments”. In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities Bereket One Ltd. and Albaraka Sukuk Ltd.

The Bank has subordinated loans borrowed through sukuk issuance, which has convertible nature to the shares.

**Additional tier 1 capital borrowings:**

Unmatured sukuk transaction in foreign currency is issued and included in the additional capital account by the Bank’s structured entity “Bereket One Ltd”. Stated transaction evaluated as non-monetary item and accounted over historical cost in Turkish Lira under equities in the “other capital reserves” accordance with TAS 32.

**XVIII. Explanations on issued share certificates:**

The Bank has completed capital increase through rights issues in December 2019. As of December 31,2019 the capital has not been registered and the added amount (TL 450.000) has been represented under “Other Capital Reserves” on the balance sheet.

**XIX. Explanations on acceptances and availed drafts:**

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

**XX. Explanations on government grants:**

As of the balance sheet date, there are no government grants received by the Bank.

**XXI. Explanations on segment reporting:**

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank’s chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.

**XXII. Explanations on investments in associates, subsidiaries and joint ventures:**

Non-financial subsidiaries and associates (in Turkish Lira) are accounted at cost in the unconsolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

**XXIII. Explanations on other matters:**

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

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Explanations on capital adequacy standard ratio:**

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of December 31, 2019, the Bank’s total capital has been calculated as TL 5.135.259 and capital adequacy standard ratio is 14,97%. As of December 31, 2018, Bank’s total capital amounted to TL 4.713.984 and capital adequacy ratio was 14,66%. The Bank’s capital adequacy standard ratio is above the minimum ratio required by the legislation.

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**I. Explanations on capital adequacy standard ratio (continued):**

**a. Information on capital:**

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	900.000
Share issue premiums	-	-
Reserves	1.157.268	1.121.303
Gains recognized in equity as per TAS	953.018	378.834
Profit	63.429	133.968
Current Period Profit	63.429	133.968
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>3.073.715</b>	<b>2.534.105</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>	<b>-</b>
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	27.506	48.374
Improvement costs for operating leasing	24.273	23.998
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	28.674	29.613
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	111.451	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>191.904</b>	<b>101.985</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>2.881.811</b>	<b>2.432.120</b>

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**I. Explanations on capital adequacy standard ratio (continued):**

**a. Information on capital (continued):**

	Current Period	Prior Period
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	775.720	775.720
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>775.720</b>	<b>775.720</b>
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>775.720</b>	<b>775.720</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>3.657.531</b>	<b>3.207.840</b>
<b>TIER II CAPITAL</b>	<b>-</b>	<b>-</b>
Debt instruments and share issue premiums deemed suitable by the BRSA	1.362.486	1.193.054
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	116.745	315.773
<b>Tier II Capital Before Deductions</b>	<b>1.479.231</b>	<b>1.508.827</b>
<b>Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	1.491
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>1.491</b>
<b>Total Tier II Capital</b>	<b>1.479.231</b>	<b>1.507.336</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>5.136.762</b>	<b>4.715.176</b>
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	<b>-</b>	<b>-</b>
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	1.503	1.192

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**I. Explanations on capital adequacy standard ratio (continued):**

**a. Information on capital (continued):**

	Current Period	Prior Period
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>Total Capital (Total Core Capital and Supplementary Capital)</b>	<b>5.135.259</b>	<b>4.713.984</b>
<b>Total risk weighted amounts</b>	<b>34.299.071</b>	<b>32.150.785</b>
<b>Capital Adequacy Ratios</b>	-	-
Core Capital Adequacy Ratio (%)	8,40	7,56
Tier 1 Capital Adequacy Ratio (%)	10,66	9,98
Capital Adequacy Ratio (%)	14,97	14,66
<b>BUFFERS</b>	-	-
The total additional capital requirement ratio (a + b + c)	2,50	1,88
a) Capital conservation buffer requirement (%)	2,50	1,88
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	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 (%)	3,90	3,06
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	231.614	203.784
<b>Limits related to provisions considered in Tier II calculation</b>	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	116.745	315.773
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	116.745	315.773
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6 % of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions.

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**I. Explanations on capital adequacy standard ratio (continued):**

**b. Details on subordinated liabilities:**

Issuer	Albaraka Sukuk Ltd.	Bereket One Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS17 72390628
Governing Law(s) of the Instrument	English Law	English Law
<b>Special Consideration in the Calculation of Equity</b>		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Mudaraba
Amount recognized in regulatory capital (as of most recent reporting date)	TL 1.362.486	TL 775.720 <sup>(1)</sup>
Par Value of Instrument	TL 1.362.486	TL 775.720
Accounting Classification	Subordinated Loan	Equity
Original date of Issuance	November 30, 2015	February 20, 2018
Perpetual or dated	Dated	Undated
Maturity date	November 30, 2025	Undated
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: November 30, 2020 Total Repayment Amount of Profit Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000	Last Payment Date: None First refund option date: February 20, 2023 Total Repayment Amount of Profit Share: USD 102.500.000 Repayment Period: 6 months Principal Payment: USD 205.000.000
Subsequent call dates	-	-
<b>Profit Share/Dividends</b>		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	10%
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Optional
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Cumulative	Noncumulative
<b>Convertible or Non-convertible</b>		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval, it is convertible and the rate may be determined.	As per BRSA approval, it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
<b>Write-down feature</b>		
If write-down, write-down trigger(s)	-	Non-sustainability-The ratio of Core Capital to below 5,125%
If write-down, full or partial	-	At least to ensure that the core capital ratio exceeds 5,125%
If write down, permanent or temporary	-	Permanent and Temporary
If temporary write-down, description of write-up mechanism	-	In case of the ratio of core capital exceeds 5,125%
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners	After participation fund owners, other borrowers and the debt instruments included in the Tier II capital calculation
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	No	No

<sup>(1)</sup> Represented as historical cost

**c. Information on reconciliation of total capital and equity**

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from Stage 1 and Stage 2 expected credit losses, debt instruments, and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, Stage 1 and Stage 2 expected credit losses up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and their related deferred tax liabilities and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.



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**II. Explanations on credit risk:**

- (1) Credit risk represents the Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Bank, the Bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors). Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

As of 1 January 2018, the Bank 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. Related classifications are mentioned in the third section under the heading of Accounting Policies, in VII. No. "Explanations on expected credit loss provisions".

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**II. Explanations on credit risk (continued):**

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

<b>Risk Categories</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount<sup>(*)</sup></b>
Receivables from central governments or central banks	9.765.536	6.836.635
Receivables from regional or local governments	99.368	16.649
Receivables from administrative units and non-commercial enterprises	111.062	73.887
Receivables from multilateral development banks	-	-
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	5.182.630	5.376.801
Receivables from corporates	16.802.564	15.942.766
Retail receivables	5.358.754	5.144.519
Receivables secured by mortgages on property	2.868.084	3.093.700
Past due receivables	703.682	577.586
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	4.907	5.952
Other receivables	3.777.428	3.622.586
Equity share investments	89.421	70.604
<b>TOTAL<sup>(*)</sup></b>	<b>44.763.436</b>	<b>40.761.685</b>

<sup>(\*)</sup> Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2019.

- (2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.
- (3) The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.
- (4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

- (5) The Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Bank itself and concentration of risk is avoided. The Bank does not carry any serious risk in this respect.

- (6) Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 53% (December 31, 2018: 51%) and 62% (December 31, 2018: 60%) respectively.

Share of non-cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 45% (December 31, 2018: 49%) and 56% (December 31, 2018: 60%) respectively.

Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 44% (December 31, 2018: 44%) and 51% (December 31, 2018: 53%) respectively.

- (7) The Bank's expected credit loss amount for its credit risk (Stage 1 and 2) is TL 202.542 (December 31, 2018: TL 380.469).

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**II. Explanations on credit risk (continued):**

**(8) Profile on significant risks in significant regions:**

	Risk Categories <sup>(*)</sup>												
	1	2	3	4	5	6	7	8	9	10	11	12	Total
<b>Current Period</b>													
Domestic	9.705.244	99.368	111.062	-	2.013.588	15.603.637	5.317.384	2.840.508	689.469	4.907	3.723.623	51.451	40.160.241
EU Countries	-	-	-	-	845.825	139.495	11.570	3.664	10	-	-	18.587	1.019.151
OECD Countries (**)	-	-	-	-	95.442	-	7	-	-	-	-	-	95.449
Off-shore banking regions	-	-	-	-	635.547	358.369	17.062	3.951	12.672	-	-	-	1.027.601
USA, Canada	-	-	-	-	1.104.422	74.973	1.380	-	-	-	-	15.293	1.196.068
Other countries	60.292	-	-	-	487.806	626.090	11.351	19.961	1.531	-	53.805	4.090	1.264.926
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.765.536</b>	<b>99.368</b>	<b>111.062</b>	<b>-</b>	<b>5.182.630</b>	<b>16.802.564</b>	<b>5.358.754</b>	<b>2.868.084</b>	<b>703.682</b>	<b>4.907</b>	<b>3.777.428</b>	<b>89.421</b>	<b>44.763.436</b>
	1	2	3	4	5	6	7	8	9	10	11	12	Total
<b>Prior Period</b>													
Domestic	4.968.121	15	128.684	-	4.354.284	15.497.343	5.124.553	2.679.305	584.938	-	3.604.539	15	36.941.797
EU Countries	-	-	-	-	369.830	127.934	1.851	1.858	935	-	18.740	9.812	530.960
OECD Countries (**)	-	-	-	-	12.479	-	14	38	-	-	-	-	12.531
Off-shore banking regions	-	-	-	-	20.631	86.504	14.182	3.215	11.743	-	-	-	136.275
USA, Canada	-	-	-	-	419.403	98.620	666	-	-	-	-	-	518.689
Other countries	-	-	-	-	558.835	464.945	9.397	83.021	1.888	-	-	3.643	1.121.729
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	39.744	39.744
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4.968.121</b>	<b>15</b>	<b>128.684</b>	<b>-</b>	<b>5.735.462</b>	<b>16.275.346</b>	<b>5.150.663</b>	<b>2.767.437</b>	<b>599.504</b>	<b>-</b>	<b>3.623.279</b>	<b>53.214</b>	<b>39.301.725</b>

(\*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

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

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

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables

- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Investments as collective investment enterprises
- 11- Other receivables
- 12- Equity share investments

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**II. Explanations on credit risk (continued):**

**Risk Profile according to sectors and counterparties:**

Sectors / Counterparties	Risk Categories												TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12			
<b>1 Agriculture</b>	-	-	-	-	-	43.819	91.792	59.668	15.240	-	-	-	160.939	49.580	210.519
1.1 Farming and stockbreeding	-	-	-	-	-	42.833	53.152	36.259	14.677	-	-	-	102.751	44.170	146.921
1.2 Forestry	-	-	-	-	-	729	29.870	23.289	561	-	-	-	53.742	707	54.449
1.3 Fishery	-	-	-	-	-	257	8.770	120	2	-	-	-	4.446	4.703	9.149
<b>2 Manufacturing</b>	-	-	<b>1.101</b>	-	-	<b>5.579.025</b>	<b>1.483.899</b>	<b>722.661</b>	<b>250.783</b>	-	-	-	<b>3.064.169</b>	<b>4.973.300</b>	<b>8.037.469</b>
2.1 Mining	-	-	-	-	-	56.043	42.501	17.362	2.843	-	-	-	50.280	68.469	118.749
2.2 Production	-	-	204	-	-	4.375.258	1.365.965	607.146	154.839	-	-	-	2.682.545	3.820.867	6.503.412
2.3 Electricity, gas, water	-	-	897	-	-	1.147.724	75.433	98.153	93.101	-	-	-	331.344	1.083.964	1.415.308
<b>3 Construction</b>	-	-	<b>1</b>	-	-	<b>2.372.334</b>	<b>555.845</b>	<b>514.831</b>	<b>155.988</b>	-	-	-	<b>2.164.019</b>	<b>1.434.980</b>	<b>3.598.999</b>
<b>4 Services</b>	<b>9.764.741</b>	<b>- 109.764</b>	-	-	<b>5.182.547</b>	<b>8.459.639</b>	<b>2.102.536</b>	<b>1.352.086</b>	<b>261.903</b>	<b>4.907</b>	<b>556.325</b>	<b>89.421</b>	<b>10.457.517</b>	<b>17.426.352</b>	<b>27.883.869</b>
4.1 Wholesale and retail trade	-	-	12	-	-	2.378.946	1.408.026	512.674	150.327	-	-	-	2.734.276	1.715.709	4.449.985
4.2 Hotel, food and beverage services	-	-	-	-	-	326.074	83.264	74.303	29.369	-	-	-	208.783	304.227	513.010
4.3 Transportation and telecommunication	-	-	-	-	-	532.223	211.485	50.531	43.210	-	-	-	312.587	524.862	837.449
4.4 Financial institutions	9.764.741	-	-	-	5.173.646	411.424	15.481	18.389	50	4.907	-	62.881	3.962.904	11.488.615	15.451.519
4.5 Real estate and renting services	-	-	19	-	8.901	4.511.905	161.263	523.167	18.222	-	556.325	18.000	2.687.837	3.109.965	5.797.802
4.6 Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education services	-	-	98.197	-	-	3.527	21.395	76.015	4.584	-	-	-	113.764	89.954	203.718
4.8 Health and social services	-	-	11.536	-	-	295.540	201.622	97.007	16.141	-	-	8.540	437.366	193.020	630.386
<b>5 Other</b>	<b>795</b>	<b>99.368</b>	<b>196</b>	-	<b>83</b>	<b>347.747</b>	<b>1.124.682</b>	<b>218.838</b>	<b>19.768</b>	-	<b>3.221.103</b>	-	<b>3.851.052</b>	<b>1.181.528</b>	<b>5.032.580</b>
<b>6 Total</b>	<b>9.765.536</b>	<b>99.368</b>	<b>111.062</b>	<b>-</b>	<b>5.182.630</b>	<b>16.802.564</b>	<b>5.358.754</b>	<b>2.868.084</b>	<b>703.682</b>	<b>4.907</b>	<b>3.777.428</b>	<b>89.421</b>	<b>19.697.696</b>	<b>25.065.740</b>	<b>44.763.436</b>

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments alacaklar
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables

- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Investments as collective investment enterprises
- 11- Other receivable
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**II. Explanations on credit risk (continued):**

**Distribution of risks with term structure according to remaining maturities:**

		Time to Maturity				
	Risk Categories	1 month	1–3 months	3–6 months	6–12 months	1 year and over
1	Receivables from central governments or central banks	59.836	104.107	641.118	399.120	2.755.109
2	Receivables from regional or local governments	-	-	-	-	99.329
3	Receivables from administrative units and non-commercial enterprises	2	3.389	359	920	106.291
4	Receivables from multilateral development banks	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-
6	Receivables from banks and brokerage houses	116.052	-	69.873	8.697	794.692
7	Receivables from corporates	1.069.550	858.366	1.587.236	2.304.614	10.632.733
8	Retail receivables	204.561	352.851	610.223	1.021.169	3.161.002
9	Receivables secured by mortgages on property	174.599	262.992	182.131	388.957	1.735.308
10	Past due receivables	-	-	-	-	-
11	Receivables defined in high risk category by BRSA	-	-	-	-	-
12	Securities collateralized by mortgages	-	-	-	-	-
13	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
14	Investments similar to collective investment funds	-	-	-	-	-
15	Other receivables	-	-	-	-	2.076
16	Equity share investments	-	-	-	-	-
17	<b>TOTAL</b>	<b>1.624.600</b>	<b>1.581.705</b>	<b>3.090.940</b>	<b>4.123.477</b>	<b>19.286.540</b>

- (9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks” are presented below:

											Deductions from Shareholders' Equity
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	
1	Amount before credit risk mitigation	8.597.545	-	3.693.085	446.527	6.125.538	5.358.754	20.297.053	244.934	-	54.450
2	Amount after credit risk mitigation	9.189.252	-	3.907.636	442.376	6.320.591	4.846.640	19.813.024	243.917	-	54.450

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**II. Explanations on credit risk (continued):**

**(10) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:**

As of 31 December 2019, the Bank has allocated expected lifetime loss provision for loans classified as Stage 2 based on the risk assessments made under TFRS 9. For the loans which are determined as impaired by being classified in the third stage, the expected lifetime loss provision has been allocated for such loans as well.

As of December 31, 2019, the credit risks of the loans which has not increased at first recognition or thereafter, are classified as stage 1 and 12 months expected credit loss has been allocated for such loans.

Sectors / Counterparties	Loans		Provisions
	Impaired Value (TFRS 9)		Provisions for Credit Losses (TFRS 9)
	Significant increase in credit risk (Stage 2)	Default (Stage 3)	
<b>1 Agriculture</b>	<b>12.383</b>	<b>14.758</b>	<b>5.097</b>
1.1 Farming and stockbreeding	8.736	9.732	3.387
1.2 Forestry	3.647	5.023	1.707
1.3 Fishery	-	3	3
<b>2 Manufacturing</b>	<b>2.461.319</b>	<b>1.234.814</b>	<b>564.182</b>
2.1 Mining	6.235	9.415	3.074
2.2 Production	2.189.347	1.220.357	537.831
2.3 Electricity, gas, water	265.737	5.042	23.277
<b>3 Construction</b>	<b>720.302</b>	<b>553.840</b>	<b>302.035</b>
<b>4 Services</b>	<b>249.798</b>	<b>355.929</b>	<b>139.882</b>
4.1 Wholesale and retail trade	78.866	186.965	61.853
4.2 Hotel, food and beverage services	107.195	35.666	13.543
4.3 Transportation and telecommunication	12.410	64.880	29.740
4.4 Financial institutions	174	11.705	4.481
4.5 Real estate and renting services	1.860	29.709	19.353
4.6 Self-employment services	16.456	1.992	1.280
4.7 Education services	-	7.995	715
4.8 Health and social services	32.837	17.017	8.917
<b>5 Other</b>	<b>221.253</b>	<b>62.382</b>	<b>20.528</b>
<b>6 Total</b>	<b>3.665.055</b>	<b>2.221.723</b>	<b>1.031.724</b>

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**II. Explanations on credit risk (continued):**

**(11) Information related to value adjustments and credit provisions:**

**Current Period**

<b>Risk Weight</b>	<b>Opening Balance</b>	<b>Provision made during the period</b>	<b>Reversal of Provisions</b>	<b>Other Adjustments <sup>(*)</sup></b>	<b>Closing Balance</b>
1. Stage 3 Provisions	893.485	633.455	(638.779)(**)	58.470	946.631
2. Stage 1 and 2 Provisions	363.306	72.858	(251.051)	38	185.151

(\*) Determined according to currency differences.

(\*\*) Includes reversal of provisions related to write off amounts to TL 441.418.

**Prior Period**

<b>Risk Weight</b>	<b>Opening Balance</b>	<b>Provision made during the period</b>	<b>Reversal of Provisions</b>	<b>Other Adjustments <sup>(*)</sup></b>	<b>Closing Balance</b>
1. Specific Provisions	705.262	422.299	(374.452)(**)	140.376	893.485
2. General Provisions	329.928	160.195	(128.324)	1.507	363.306

(\*) Determined according to currency differences.

(\*\*) Includes credit provisions amount to TL 242.105 assigned from non performing portfolio to asset management companies.

**III. Explanations on risks including countercyclical capital buffer calculation:**

**Explanations on receivables from consolidated private sector:**

<b>Country where risk is ultimately taken</b>	<b>Private sector loans in banking books</b>	<b>Risk weighted amount calculated within trading book</b>	<b>Total</b>
Turkey	20.954.690	1.702.462	22.657.152
Iraq	502.478	-	502.478
Malta	120.859	-	120.859
Marshall Islands	103.054	-	103.054
Georgia	96.302	-	96.302
United States of America	75.954	-	75.954
Panama	17.829	-	17.829
Romania	10.312	-	10.312
Italy	9.074	-	9.074
Other	35.413	-	35.413

**IV. Explanations on currency risk:**

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- The Bank does not have any derivative financial instruments held for hedging purposes.
- As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	<b>USD</b>	<b>EUR</b>
As of December 31, 2019 - Balance sheet evaluation rate	5,928	6,658
As of December 30, 2019	5,920	6,627
As of December 27, 2019	5,937	6,622
As of December 26, 2019	5,913	6,560
As of December 25, 2019	5,915	6,562
As of December 24, 2019	5,929	6,568

- The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 5,664 for 1 USD (December 2018: TL 5,293), TL 6,337 for 1 EUR (December 2018: TL 6,023). The Bank is mainly exposed to EUR and USD currency risks.

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**IV. Explanations on currency risk (continued):**

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

Current Period	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.947.732	4.061.727	1.359.748	7.369.207
Banks	1.013.440	1.422.616	648.539	3.084.595
Financial assets at fair value through profit and loss <sup>(**)</sup>	-	383	435.177	435.560
Money market placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	166.840	1.003.586	3.638	1.174.064
Loans and financial lease receivables <sup>(***)</sup>	4.955.861	10.276.953	311.036	15.543.850
Subsidiaries, associates and joint ventures	18.311	-	-	18.311
Financial Assets Measured at Amortised Cost	641.117	715.181	-	1.356.298
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	19.905	19.905
Intangible assets	-	-	-	-
Other assets <sup>(****)</sup>	4.911	245.911	1.992	252.814
<b>Total assets</b>	<b>8.748.212</b>	<b>17.726.357</b>	<b>2.780.035</b>	<b>29.254.604</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	1.445.426	537.826	5.043	1.988.295
Other current and profit sharing accounts	6.497.324	14.214.936	2.372.233	23.084.493
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	575.980	2.490.562	1	3.066.543
Marketable securities issued	-	-	-	-
Miscellaneous payables	60.858	139.696	6.884	207.438
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	160	14.433	5.121	19.714
<b>Total liabilities</b>	<b>8.579.748</b>	<b>17.397.453</b>	<b>2.389.282</b>	<b>28.366.483</b>
<b>Net balance sheet position</b>	<b>168.464</b>	<b>328.904</b>	<b>390.753</b>	<b>888.121</b>
<b>Net off balance sheet position</b>	<b>(122.274)</b>	<b>61.052</b>	<b>9.191</b>	<b>(52.031)</b>
Derivative financial instruments assets <sup>(*****)</sup>	34.622	163.856	20.238	218.716
Derivative financial instruments liabilities <sup>(*****)</sup>	156.896	102.804	11.047	270.747
Non-cash loans <sup>(*****)</sup>	2.052.218	3.212.326	38.392	5.302.936
<b>Prior Period</b>				
Total assets	7.049.235	15.797.918	1.555.938	24.403.091
Total liabilities	6.944.541	14.687.502	1.512.121	23.144.164
<b>Net balance sheet position</b>	<b>104.694</b>	<b>1.110.416</b>	<b>43.817</b>	<b>1.258.927</b>
<b>Net off balance sheet position</b>	<b>(76.683)</b>	<b>187.681</b>	<b>(22.448)</b>	<b>88.550</b>
Derivative financial instruments assets	19.925	304.028	9.188	333.141
Derivative financial instruments liabilities	96.608	116.347	31.636	244.591
Non-cash loans <sup>(*****)</sup>	1.741.130	3.579.066	69.666	5.389.862

<sup>(1)</sup> TL 1.324.944 (December 31, 2018: TL 1.010.111) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 425.089 (December 31, 2018: TL 408.766) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 2.192.902 (December 31, 2018: TL 1.421.400) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

<sup>(\*\*)</sup> Derivative financial instruments are included.

<sup>(\*\*\*)</sup> The balance includes foreign currency indexed loans and financial lease receivables of TL 2.154.914 (December 31, 2018: TL 3.883.893).

<sup>(\*\*\*\*)</sup> Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 1.591 (December 31, 2018: TL 1.863) is included in other assets.

<sup>(\*\*\*\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 174.881 (December 31, 2018: TL 95.585) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 214.726 (December 31, 2018: TL 219.495).

<sup>(\*\*\*\*\*)</sup> Does not have any effect on the net off-balance sheet position.

**Other issues related to currency risk:**

Since the bank has issued unmatured additional Tier 1 capital amount to USD 205.000.000 (historical cost: TL 775.720) and recognized under the equity as "Other Capital Reserves", related amount is not included in the above table.



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**V. Explanations on position risk of equity securities in banking book:**

The Bank does not have any associate and subsidiary quoted at Borsa İstanbul. “Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu”, “Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu” and “Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu” which are managed and founded by Albaraka Portföy Yönetimi A.Ş. are traded in Borsa İstanbul under qualified trading market. Albaraka Portföy Yönetimi A.Ş. is the subsidiary of the Bank.

**VI. Explanations on liquidity risk:**

Liquidity Risk is managed by Asset and Liability Committee (“ALCO”) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank’s risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank’s strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank’s liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank’s risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank’s funding management is carried out in compliance with the ALCO decisions in the direction of the Fund Transfer Pricing (“FTP”) committee. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk, management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank’s funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists “Liquidity Risk Management Contingency Funding Plan” in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

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**VI. Explanations on liquidity risk (continued):**

**Liquidity Coverage Ratio:**

		Rate of "Percentage to be taken into account" not Implemented Total Value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total Value <sup>(*)</sup>	
	Current Period	TL+FC	FC	TL+FC	FC
	<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	HIGH QUALITY LIQUID ASSETS			10.362.609	8.519.572
	<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Funds Collected	22.434.687	13.521.060	2.030.562	1.352.106
3	Stable Funds Collected	4.258.141	-	212.907	-
4	Less stable Funds Collected	18.176.546	13.521.060	1.817.655	1.352.106
5	Unsecured Funding other than Retail and Small Business Customers Deposits	11.568.250	7.688.398	6.398.280	3.667.792
6	Operational Funds Collected	697.455	686.535	174.364	171.634
7	Non-Operational Funds Collected	3.950.171	2.715.661	2.090.513	1.494.971
8	Other Unsecured Funding	6.920.624	4.286.202	4.133.403	2.001.187
9	Secured funding			-	-
10	Other Cash Outflows	1.769.412	1.694.474	1.769.412	1.694.474
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.769.412	1.694.474	1.769.412	1.694.474
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	10.266.986	4.850.497	915.200	540.801
16	<b>TOTAL CASH OUTFLOWS</b>			<b>11.113.454</b>	<b>7.255.173</b>
	<b>CASH INFLOWS</b>				
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	7.057.104	4.316.347	5.644.882	3.729.918
19	Other contractual cash inflows	1.783.382	1.211.276	1.783.382	1.211.276
20	<b>TOTAL CASH INFLOWS</b>	<b>8.840.486</b>	<b>5.527.623</b>	<b>7.428.264</b>	<b>4.941.194</b>
				<b>Üst Sınır Uygulanmış değerler</b>	
21	<b>TOTAL HQLA</b>			<b>10.362.609</b>	<b>8.519.572</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>3.685.190</b>	<b>2.313.979</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>281,20</b>	<b>368,18</b>

(\*) Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period	
	TL+FC	FC
Lowest	184,21	244,04
Date	November 1, 2019	October 18, 2019
Highest	427,04	543,73
Date	October 18, 2019	December 17, 2019
Average	281,20	368,18

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**VI. Explanations on liquidity risk (continued):**

**Liquidity Coverage Ratio (continued):**

		Rate of "Percentage to be taken into account" not Implemented Total Value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total Value <sup>(*)</sup>	
	Prior period	TL+FC	FC	TL+FC	FC
	<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	HIGH QUALITY LIQUID ASSETS			5.970.290	4.591.891
	<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Funds Collected	17.431.572	9.462.443	1.569.097	946.244
3	Stable Funds Collected	3.481.210	-	174.061	-
4	Less stable Funds Collected	13.950.362	9.462.443	1.395.036	946.244
5	Unsecured Funding other than Retail and Small Business Customers Deposits	8.379.233	5.840.812	5.042.445	3.321.592
6	Operational Funds Collected	507.248	498.580	126.812	124.645
7	Non-Operational Funds Collected	3.098.561	2.103.145	1.723.776	1.266.782
8	Other Unsecured Funding	4.773.424	3.239.087	3.191.857	1.930.165
9	Secured funding			-	-
10	Other Cash Outflows	1.976.996	1.458.469	1.976.996	1.458.469
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.976.996	1.458.469	1.976.996	1.458.469
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	10.802.744	5.093.308	933.539	532.482
16	<b>TOTAL CASH OUTFLOWS</b>			<b>9.522.077</b>	<b>6.258.787</b>
	<b>CASH INFLOWS</b>				
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	6.408.350	4.162.020	5.408.353	3.850.492
19	Other contractual cash inflows	2.057.731	1.907.038	2.057.731	1.907.038
20	<b>TOTAL CASH INFLOWS</b>	<b>8.466.081</b>	<b>6.069.058</b>	<b>7.466.084</b>	<b>5.757.530</b>
				Upper limit applied amounts	
21	<b>TOTAL HQLA</b>			<b>5.970.290</b>	<b>4.591.891</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>2.380.519</b>	<b>1.564.697</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>250,80</b>	<b>293,47</b>

<sup>(\*)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2018 are as follows:

Liquidity Coverage Ratio (%)	Prior Period	
	TL+FC	FC
Lowest	246,14	195,23
Date	October 31, 2018	November 4, 2018
Highest	395,02	304,40
Date	December 31, 2018	December 31, 2018
Average	250,80	293,47

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**VI. Explanations on liquidity risk (continued):**

**Liquidity Coverage Ratio (continued):**

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in 30 days maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, banks receivables, funds collected, funds borrowed. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 7,90% cash, 55,13% deposits in central banks and 36,97% securities considered as high quality liquid assets.

The Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 87,03% funds collected, 12,97% funds borrowed, borrowings from money market and subordinated loans.

Cash flows of derivatives that will take place within 30 days are taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are reflected to the results in accordance with the methodology articulated in the related legislation.

The Bank manages all the transactions with its foreign branches and subsidiaries consolidated in the framework of central bank, markets and related legislation of the country in which the institutions are located. Liquidity risk of the bank, its foreign branches and subsidiaries that are to be consolidated are managed within the regulatory limits and in accordance with group strategies. The liquidity positions of consolidated subsidiaries are continuously monitored by the Bank.

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**VI. Explanations on liquidity risk (continued):**

**Presentation of assets and liabilities according to their remaining maturities:**

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (**)(****)	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	4.173.150	4.622.759	-	-	-	-	-	8.795.909
Banks	3.032.978	1.024.446	112.517	-	-	-	-	4.169.941
Financial Assets at Fair Value Through Profit and Loss <sup>(*)</sup>	733.753	663	2.131	48.603	495.950	953.450	-	2.234.550
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	28.219	4.489	158.004	249.294	1.574.626	-	-	2.014.632
Loans <sup>(**)</sup>	-	3.055.114	1.487.050	7.163.233	14.411.301	2.357.349	1.275.092	29.749.139
Financial Assets Measured at Amortised Cost	-	60.797	37.515	820.971	1.075.036	-	-	1.994.319
Other Assets	-	-	1.122	10.048	102.372	212.137	2.108.199	2.433.878
<b>Total Assets</b>	<b>7.968.100</b>	<b>8.768.268</b>	<b>1.798.339</b>	<b>8.292.149</b>	<b>17.659.285</b>	<b>3.522.936</b>	<b>3.383.291</b>	<b>51.392.368</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	794.319	534.434	666.857	-	-	-	-	1.995.610
Other current and profit sharing accounts	13.107.655	18.721.821	4.304.972	1.613.039	26.311	-	-	37.773.798
Funds provided from other financial institutions and subordinated loans	-	1.930.528	1.451.588	835.789	329.398	1.362.486	-	5.909.789
Money Market Borrowings	-	18.237	-	-	-	-	-	18.237
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	313.161	48.796	26.010	-	-	975.819	1.363.786
Other liabilities	775.720	-	128	6.163	81.724	199.740	3.267.673	4.331.148
<b>Total Liabilities</b>	<b>14.677.694</b>	<b>21.518.181</b>	<b>6.472.341</b>	<b>2.481.001</b>	<b>437.433</b>	<b>1.562.226</b>	<b>4.243.492</b>	<b>51.392.368</b>
<b>Net Liquidity Gap</b>	<b>(6.709.594)</b>	<b>(12.749.913)</b>	<b>(4.674.002)</b>	<b>5.811.148</b>	<b>17.221.852</b>	<b>1.960.710</b>	<b>(860.201)</b>	<b>-</b>
<b>Net Off-balance sheet</b>								
<b>Position</b>	<b>-</b>	<b>113</b>	<b>(108)</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248</b>
Financial Derivative Assets	-	34.764	8.644	23.261	-	-	-	66.669
Financial Derivative Liabilities	-	34.651	8.752	23.018	-	-	-	66.421
<b>Non-cash Loans</b>	<b>5.962.062</b>	<b>223.917</b>	<b>560.809</b>	<b>2.632.808</b>	<b>1.011.614</b>	<b>40.228</b>	<b>-</b>	<b>10.431.438</b>
<b>Prior period</b>								
Total Assets	7.624.657	5.878.297	2.766.962	8.130.163	13.085.453	2.169.942	2.568.178	42.223.652
Total Liabilities	9.504.353	17.908.475	4.535.370	5.298.311	182.369	1.193.054	3.601.720	42.223.652
<b>Net Liquidity Gap</b>	<b>(1.879.696)</b>	<b>(12.030.178)</b>	<b>(1.768.408)</b>	<b>2.831.852</b>	<b>12.903.084</b>	<b>976.888</b>	<b>(1.033.542)</b>	<b>-</b>
<b>Net Off-balance sheet</b>								
<b>Position</b>	<b>-</b>	<b>(1.874)</b>	<b>557</b>	<b>1.743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426</b>
Financial Derivative Assets	-	243.502	5.132	16.551	-	-	-	265.185
Financial Derivative Liabilities	-	245.376	4.575	14.808	-	-	-	264.759
<b>Non-cash Loans</b>	<b>5.839.023</b>	<b>306.875</b>	<b>476.050</b>	<b>2.328.330</b>	<b>1.052.607</b>	<b>42.812</b>	<b>-</b>	<b>10.045.697</b>

<sup>(\*)</sup> Derivative financial instruments are included.

<sup>(\*\*)</sup> Leasing receivables are included under loans. Unallocated amount represents the net non-performing loans.

<sup>(\*\*\*)</sup> Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, right of use of movables and real estates, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

<sup>(\*\*\*\*)</sup> The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

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**VII. Explanations on leverage ratio:**

As of December 31, 2019, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,27% (December 31, 2018: 6,19%). Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks". The reason for the difference in leverage ratio between current and previous period is the high rate of increase in average risk amount.

		Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>Balance sheet assets</b>			
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	49.258.636	42.145.699
2	(Assets deducted from Core capital)	(59.015)	(52.400)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	49.199.621	42.093.299
<b>Derivative financial assets and credit derivatives</b>			
4	Cost of replenishment for derivative financial assets and credit derivatives	5.672	6.944
5	Potential credit risk amount of derivative financial assets and credit derivatives	11.227	12.645
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	16.899	19.589
<b>Financing transactions secured by marketable security or commodity</b>			
7	Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	186.303	254.130
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	186.303	254.130
<b>Off-balance sheet transactions</b>			
10	Gross notional amount of off-balance sheet transactions	12.250.746	11.972.692
11	(Correction amount due to multiplication with credit conversion rates)	-	-
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	12.250.746	11.972.692
<b>Capital and total risk</b>			
13	Core Capital	3.255.320	3.362.216
14	Total risk amount(sum of lines 3, 6, 9 and 12)	61.653.569	54.339.710
<b>Leverage ratio</b>			
15	Leverage ratio (%)	5,27	6,19

(\*) The arithmetic average for the last three months in the related periods.

**VIII. Explanations on presentation of financial assets and liabilities at fair value:**

**a. Information on fair value of financial assets and liabilities:**

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of financial investments measured at amortised cost are determined based on market prices. As of December 31, 2019 and December 31, 2018, fair value hierarchy of financial investments measured at amortized cost is determined as level 1.

The fair value of loans are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

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**VIII. Explanations on presentation of financial assets and liabilities at fair value (continued):**

**a. Information on fair value of financial assets and liabilities:**

	Carrying value		Fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Financial Assets</b>				
Money market placements	-	-	-	-
Banks	4.187.332	5.217.047	4.187.332	5.217.047
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.234.153	1.117.247	2.234.153	1.117.247
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.014.632	1.229.522	2.014.632	1.229.522
Financial Assets Measured at Amortised Cost	1.994.319	618.506	2.080.268	596.204
Loans and financial lease receivables	29.749.139	26.184.989	27.049.301	24.292.355
<b>Financial Liabilities</b>				
Funds collected from banks via current accounts and profit sharing accounts	1.995.610	1.377.313	1.995.610	1.377.313
Other current and profit sharing accounts	37.773.798	27.246.160	37.773.798	27.246.160
Funds provided from other financial institutions	5.909.789	8.056.390	5.180.396	7.326.575
Marketable securities issued	18.237	771.957	18.237	771.957
Miscellaneous payables	1.363.786	1.362.343	1.363.786	1.362.343

**b. Information on fair value measurement recognized in the financial statements:**

TFRS 7 "Financial Instruments: Turkish Financial Reporting Standard Related to Explanations" sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II);
- Data not based on observable data regarding assets and liabilities (Level III).

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**VIII. Explanations on presentation of financial assets and liabilities at fair value (continued):**

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

<b>Current period <sup>(*)</sup></b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	<b>2.026.829</b>	-	<b>207.324</b>	<b>2.234.153</b>
Government Securities	534.322	-	-	534.322
Equity securities	-	-	-	-
Other Financial Assets	1.492.507	-	207.324	1.699.831
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	<b>2.006.613</b>	-	-	<b>2.006.613</b>
Equity securities <sup>(**)</sup>	15.293	-	-	15.293
Government Securities	1.964.425	-	-	1.964.425
Other Financial Assets	26.895	-	-	26.895
<b>Derivative Financial Assets</b>	-	<b>397</b>	-	<b>397</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	849	-	849

<sup>(\*)</sup> In the current period, there is no classification between level I and level II.

<sup>(\*\*)</sup> Equity securities amounting to TL 8.019 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statements and not represented above table.

<b>Prior period <sup>(*)</sup></b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	<b>953.569</b>	-	<b>163.678</b>	<b>1.117.247</b>
Public sector debt securities	834	-	-	834
Equity securities	-	-	-	-
Derivative financial assets held for trading	952.735	-	163.678	1.116.413
<b>Financial assets- available for sale</b>	<b>1.225.614</b>	-	-	<b>1.225.614</b>
Equity securities <sup>(**)</sup>	9.562	-	-	9.562
Public sector debt securities	1.058.514	-	-	1.058.514
Other marketable securities	157.538	-	-	157.538
<b>Derivative Financial Liabilities</b>	-	<b>1.510</b>	-	<b>1.510</b>
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	1.545	-	1.545

<sup>(\*)</sup> In the prior period, there is no classification between level I and level II.

<sup>(\*\*)</sup> Equity securities amounting to TL 3.908 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statements and not represented above table.

Apart from financial assets and financial liabilities, as of December 31, 2019 and 2018, the Bank carries the real estates at fair value under tangible assets. Level III inputs are used in determining the related fair values.



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**IX. Explanations regarding the activities carried out on behalf and account of other persons:**

The Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.

**X. Explanations on risk management:**

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 numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

**a. Risk management strategy and weighted amounts:**

**a.1. Risk management strategy:**

The aim of the Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

The Board of Directors has a responsibility of establishing and providing compatible, adequate and effective system on internal control, risk management and internal auditing as anticipated by the Banking Law for the purpose of monitoring and controlling risks emerging from operations.

The Board of Directors is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically according to prevailing market conditions.

The general manager is responsible from ensuring that departments of the bank operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

The Board of Directors of the Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Bank.

The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the bank's strategies to risk profile. The bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the bank, is the level of risk it identifies as acceptable.

The bank's risk appetite means the amount of risk that can be accepted by the bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

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**X. Explanations on risk management (continued):**

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Banks were identified. Limits, which are determined within the framework of risk profile of the bank in accordance with the bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the bank.

Aiming to ensure capital allocation compatible with the risks of its functional operations and increase the capital yield set according to these risks to the maximum level, Albaraka Türk evaluates risks by classifying them as market risks, liquidity risk, credit risk, operational risk, strategic risk and credibility risk.

**Market Risk**

The Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk.

Within the coverage of market risk, Albaraka Türk calculates the foreign currency position risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports to it the authorities accordingly on a regular basis. Additionally, for test-purpose, foreign currency position risk of our Bank is measured by internal models. With backtesting applications, deviations between actual values and daily VaR values, predicted by internal models, are observed in order to control accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios.

Whether the market risk of our Bank is in conformity with legal regulations and the determined limits is constantly monitored. Our foreign currency risk is discussed and evaluated at every Assets/Liabilities Committee meeting and our foreign currency strategy is based on holding this risk constant by holding to square foreign currency position (i.e. no short or long positions are taken).

**Liquidity risk**

The Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

The liquidity risk is the situation whereby, as a result of any imbalances in the cash flows, there is a potential for not being able to meet the Participation Funds which have matured or other due liabilities in a timely manner due to shortage of liquid funds.

Market liquidity risk is an expression of the likelihood of the bank's suffering a loss because the bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

The Bank applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity coverage ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

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**X. Explanations on risk management (continued):**

**Credit risk**

Credit risk is defined as the probability of losses to the Bank due to customers failing to partially or completely pay their commitments to the Bank in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk includes not just the portfolios within the balance sheet, but also those kept off balance sheet.

The authority to approve credits belongs to the Board of Directors at our Bank. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and Bank branches. At our Bank, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors.

It is systematically not possible for customers to exceed the predetermined and approved limit. Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio. Utmost care is given to the prevention of risks concentrating on a small number of customers. Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to "Regulation on Credit Policies and Implementation Procedures".

**Operational risk**

Operational risk is a risk of loss caused by insufficient or unsuccessful internal processes, by persons and systems or external events, wherein the legal risks and compliance risks are included while the strategic (making wrong decisions at the wrong time) and reputational risk are excluded.

Operational risk is a type of risk present in all activities of the Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Bank also takes required measures to maintain operational risks at acceptable levels.

**Other risks**

The other risks that the Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Bank regards reputational risk as anything that might lead to the Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations. For the risk of reputation to be avoided and/or controlled by the Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's

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**X. Explanations on risk management (continued):**

cash flow sequence. The Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

**a.2. Risk weighted amounts:**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	27.910.534	26.042.440	2.232.843
2	Standardised approach (SA)	27.910.534	26.042.440	2.232.843
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.396	5.806	192
5	Standardised approach for counterparty credit risk (SA-CCR)	2.396	5.806	192
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	3.764.028	3.800.396	301.122
17	Standardised approach (SA)	3.764.028	3.800.396	301.122
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	2.622.113	2.302.143	209.769
20	Basic Indicator Approach	2.622.113	2.302.143	209.769
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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>34.299.071</b>	<b>32.150.785</b>	<b>2.743.926</b>

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**X. Explanations on risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation:**

**b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation:**

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk (*)	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and cash equivalents	12.983.241	12.983.241	-	-	-	-
Financial assets at fair value through profit and loss	2.234.153	-	243	-	2.234.153	-
Financial Assets at Fair Value through Other Comprehensive Income	2.014.632	2.014.632	-	-	-	-
Financial Assets Measured at Amortised Cost	1.994.319	1.994.319	-	-	-	-
Derivative Financial Assets	397	-	397	-	397	-
Non Performing Financial Assets	-	-	-	-	-	-
Expected Credit Losses (-)	17.391	-	-	-	-	17.391
<b>LOANS (Net)</b>	29.749.139	29.932.787	-	-	-	(183.648)
Loans	28.415.520	28.414.017	-	-	-	1.503
Financial Lease Receivables	243.678	243.678	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non Performing Receivables	2.221.723	2.221.723	-	-	-	-
Expected Credit Losses (-)	1.131.782	946.631	-	-	-	185.151
Assets Held for Sale and Assets of Discontinued Operations (Net)	124.480	124.480	-	-	-	-
Ownership Investments	70.148	70.148	-	-	-	-
Tangible Assets (Net)	1.516.415	1.492.142	-	-	-	24.273
Intangible Assets (Net)	30.535	1.861	-	-	-	28.674
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	45	45	-	-	-	-
Deferred Tax Asset	166.390	166.390	-	-	-	-
Other Assets	525.865	525.865	-	-	-	-
<b>Total assets</b>	<b>51.392.368</b>	<b>49.305.910</b>	<b>640</b>	<b>-</b>	<b>2.234.550</b>	<b>(148.092)</b>
<b>Liabilities</b>						
Funds collected	39.769.408	-	-	-	-	39.769.408
Funds borrowed	4.534.625	-	-	-	-	4.534.625
Borrowings from money markets	18.237	-	-	-	-	18.237
Securities issued	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit and Loss	-	-	-	-	-	-
Derivative Financial Liabilities	849	-	-	-	-	849
Lease Payables	300.660	-	-	-	-	300.660
Provisions	134.752	7.569	-	-	-	127.183
Current Tax Liability	72.958	-	-	-	-	72.958
Deferred Tax Liability	-	-	-	-	-	-
Liabilities For Assets Held For Sale and Assets of Discontinued (Net)	-	-	-	-	-	-
Subordinated Loans	1.375.164	-	-	-	-	1.375.164
Other Liabilities	1.363.786	-	-	-	-	1.363.786
Shareholders' equity	3.821.929	-	-	-	-	3.821.929
<b>Total liabilities</b>	<b>51.392.368</b>	<b>7.569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51.384.799</b>

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Explanations on risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation (continued):**

**b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation (continued):**

Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk (*)	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and cash equivalents	11.135.428	11.135.428	-	-	-	-
Financial assets at fair value through profit and loss	1.117.247	-	334	-	1.117.247	-
Financial Assets at Fair Value through Other Comprehensive Income	1.229.522	1.229.522	-	-	-	-
Financial Assets Measured at Amortised Cost	618.506	618.506	-	-	-	-
Derivative Financial Assets	1.510	-	1.510	-	1.510	-
Non Performing Financial Assets	-	-	-	-	-	-
Expected Credit Losses (-)	17.163	-	-	-	-	17.163
<b>LOANS (Net)</b>	<b>26.184.989</b>	<b>26.547.103</b>	-	-	-	<b>(362.114)</b>
Loans	25.173.679	25.172.487	-	-	-	1.192
Financial Lease Receivables	379.554	379.554	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non Performing Receivables	1.888.547	1.888.547	-	-	-	-
Expected Credit Losses (-)	1.256.791	893.485	-	-	-	363.306
Assets Held for Sale and Assets of Discontinued Operations (Net)	649.688	649.688	-	-	-	-
Ownership Investments	39.744	39.744	-	-	-	-
Tangible Assets (Net)	655.449	631.451	-	-	-	23.998
Intangible Assets (Net)	31.419	1.806	-	-	-	29.613
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	3.492	3.492	-	-	-	-
Deferred Tax Asset	170.099	170.099	-	-	-	-
Other Assets	403.722	404.215	-	-	-	493
<b>Total assets</b>	<b>42.223.652</b>	<b>41.431.054</b>	<b>1.844</b>	<b>-</b>	<b>1.118.757</b>	<b>(326.159)</b>
<b>Liabilities</b>						
Funds collected	28.623.473	-	-	-	-	28.623.473
Funds borrowed	6.852.093	-	-	-	-	6.852.093
Borrowings from money markets	771.957	-	-	-	-	771.957
Securities issued	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit and Loss	-	-	-	-	-	-
Derivative Financial Liabilities	1.545	-	-	-	-	1.545
Lease Payables	-	-	-	-	-	-
Provisions	90.271	5.346	-	-	-	84.925
Current Tax Liability	56.222	-	-	-	-	56.222
Deferred Tax Liability	-	-	-	-	-	-
Liabilities For Assets Held For Sale and Assets of Discontinued (Net)	-	-	-	-	-	-
Subordinated Loans	1.204.297	-	-	-	-	1.204.297
Other Liabilities	1.362.343	-	-	-	-	1.362.343
Shareholders' equity	3.261.451	-	-	-	-	3.261.451
<b>Total liabilities</b>	<b>42.223.652</b>	<b>5.346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42.218.306</b>

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Explanations On Risk Management (continued):**

**b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS):**

Current Period		Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	51.392.368	49.305.910	-	640	2.234.550
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	7.569	-	-	-
3	<b>Total net amount within the scope of legal consolidation</b>	<b>51.392.368</b>	<b>49.298.341</b>	<b>-</b>	<b>640</b>	<b>2.234.550</b>
4	Off balance sheet amounts	12.676.641	6.528.030	-	2.854	-
5	Repo and similar transactions <sup>(**)</sup>	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	(11.062.935)	-	-	-
10	<b>Risk amounts</b>	<b>64.069.009</b>	<b>44.763.436</b>	<b>-</b>	<b>3.494</b>	<b>2.234.550</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

Prior Period		Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	42.223.652	41.431.054	-	1.844	1.118.757
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	5.346	-	-	-
3	<b>Total net amount within the scope of legal consolidation</b>	<b>42.223.652</b>	<b>41.425.708</b>	<b>-</b>	<b>1.844</b>	<b>1.118.757</b>
4	Off balance sheet amounts	12.444.026	6.450.554	-	5.038	-
5	Repo and similar transactions <sup>(**)</sup>	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	(8.574.537)	-	-	-
10	<b>Risk amounts</b>	<b>54.667.678</b>	<b>39.301.725</b>	<b>-</b>	<b>6.882</b>	<b>1.118.757</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

**b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards (TAS) and risk amounts:**

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

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**X. Explanations On Risk Management (continued):**

**c. Credit risk:**

**c.1. General information on credit risk:**

**c.1.1. General qualitative information on credit risk:**

This information is already included in (II). Explanations on Credit Risk and (X.a.I) The Bank's risk management approach.

**c.1.2. Credit quality of assets:**

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	2.221.723	28.719.127	1.191.711	29.749.139
2 Debt securities	-	4.527.996	2.518	4.525.478
3 Off-balance sheet exposures	68.218	12.475.333	18.616	12.524.935
<b>4 Total</b>	<b>2.289.941</b>	<b>45.722.456</b>	<b>1.212.845</b>	<b>46.799.552</b>

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.888.547	25.600.281	1.303.839	26.184.989
2 Debt securities	-	1.864.856	37.264	1.827.592
3 Off-balance sheet exposures	61.827	11.852.255	3.037	11.911.045
<b>4 Total</b>	<b>1.950.374</b>	<b>39.317.392</b>	<b>1.344.140</b>	<b>39.923.626</b>

**c.1.3. Changes in stock of default loans and debt securities:**

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.950.374</b>	<b>1.261.895</b>
2 Loans and debt securities that have defaulted since the last reporting period	1.240.709	1.388.090
3 Receivables back to non-defaulted status	90.359	-
4 Amounts written off	441.418	242.105
5 Other changes	369.365	457.506
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>2.289.941</b>	<b>1.950.374</b>

**c.1.4. Additional information on credit quality of assets:**

The scope and definitions of past due receivables and the methods used by the bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Bank may restructure not only non-performing credits but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits are made for providing collection possibility by establishing a new payment plan.

Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (*Explanations on Credit Risk*).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are represented below. In accordance with resolution of the Board of the Bank, TL 441.418 has been written off.



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**X. Explanations On Risk Management (continued):**

**c.1.4. Additional information on credit quality of assets (continued):**

**Aging analysis for past due receivables:**

As per Financial instruments segmentations, aging analysis of past due but not impaired financial assets is as follows:

	0-30 Day	31-90 Day	Total
<b>Current Period</b>	411.986	3.665.055	4.077.041

	0-30 Day	31-90 Day	Total
<b>Prior Period</b>	722.924	5.318.304	6.041.228

**Receivables that provisions are set in terms of geographical region:**

<b>Current Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	2.184.791	934.658
Off-shore Banking Countries	32.042	8.626
Other Countries	4.890	3.347
<b>General Total</b>	<b>2.221.723</b>	<b>946.631</b>

<sup>(\*)</sup> Represents amounts for cash loans.

<b>Prior Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	1.835.608	865.090
Off-shore Banking Countries	29.535	8.409
Other Countries	23.404	19.986
<b>General Total</b>	<b>1.888.547</b>	<b>893.485</b>

<sup>(\*)</sup> Represents amounts for cash loans.

**c.2. Credit risk mitigation**

**c.2.1 Qualitative disclosure on credit risk mitigation techniques:**

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

- Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods.

Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities.

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**X. Explanations On Risk Management (continued):**

**c.2.2 Credit risk mitigation techniques:**

Current Period	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	22.484.792	7.264.347	5.079.229	1.061.069	472.864	-	-
2 Debt securities	4.525.478	-	-	-	-	-	-
<b>3 Total</b>	<b>27.010.270</b>	<b>7.264.347</b>	<b>5.079.229</b>	<b>1.061.069</b>	<b>472.864</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	1.043.668	231.424	179.911	2.040	617	-	-

Prior Period	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	19.193.921	6.991.068	4.889.638	910.075	292.353	-	-
2 Debt securities	1.827.592	-	-	-	-	-	-
<b>3 Total</b>	<b>21.021.513</b>	<b>6.991.068</b>	<b>4.889.638</b>	<b>910.075</b>	<b>292.353</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	808.212	186.850	133.016	2.415	785	-	-

**c.3. Credit risk under standardised approach:**

**c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:**

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Credit Risk.

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**X. Explanations on risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques:**

Current Period		Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>							
1	Receivables from central governments or central banks	9.764.991	1.382	10.211.898	544	1.283.586	12,57%
2	Receivables from regional or local governments	99.368	-	101.305	-	49.684	49,04%
3	Receivables from administrative units and non-commercial enterprises	91.771	42.417	91.771	19.291	106.571	95,96%
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	4.871.482	371.291	4.911.446	311.148	2.174.098	41,63%
7	Receivables from corporates	12.659.443	6.571.319	12.477.480	4.143.123	16.394.437	98,64%
8	Retail receivables	3.659.422	4.458.227	3.354.729	1.699.332	3.681.663	72,85%
9	Receivables secured by mortgages on property	436.616	48.133	435.797	20.292	162.259	35,58%
10	Receivables secured by mortgages on commercial property	2.078.951	599.311	2.078.951	332.224	1.262.320	52,35%
11	Past due receivables	703.682	-	702.349	-	704.941	100,37%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	4.907	-	4.907	-	4.907	100,00%
16	Other receivables	3.775.352	10.381	3.775.352	2.076	1.996.647	52,86%
17	Equity share investments	89.421	-	89.421	-	89.421	100,00%
<b>18</b>	<b>Total</b>	<b>38.235.406</b>	<b>12.102.461</b>	<b>38.235.406</b>	<b>6.528.030</b>	<b>27.910.534</b>	<b>62,35%</b>

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**X. Explanations on risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques (continued):**

Prior Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>						
1 Receivables from central governments or central banks	4.967.514	1.631	5.664.004	159.633	175.329	%3,01
2 Receivables from regional or local governments	15	-	7.095	616	8	%0,10
3 Receivables from administrative units and non-commercial enterprises	114.858	31.888	114.858	13.826	126.626	%98,40
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	5.412.220	390.497	5.412.728	327.655	2.735.128	%47,65
7 Receivables from corporates	11.941.478	6.751.114	11.743.363	4.257.180	15.774.563	%98,59
8 Retail receivables	3.786.448	3.590.042	3.284.338	1.277.059	3.362.413	%73,71
9 Receivables secured by mortgages on property	406.959	60.506	404.054	28.435	155.542	%35,96
10 Receivables secured by mortgages on commercial property	1.947.063	602056	1.947.063	384.769	1.201.354	%51,52
11 Past due receivables	599.504	-	598.556	-	668.571	%111,70
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Other receivables	3.621.898	6.906	3.621.898	1.381	1.789.692	%49,39
17 Equity share investments	53.214	-	53.214	-	53.214	%100,00
<b>18 Total</b>	<b>32.851.171</b>	<b>11.434.640</b>	<b>32.851.171</b>	<b>6.450.554</b>	<b>26.042.440</b>	<b>%66,26</b>

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**X. Explanations on risk management (continued):**

**c.3.3 Exposures by asset classes and risk weights:**

Current Period		35% secured by										Total risk amount (post-CCF and CRM)
Risk Classes/Risk Weighted	0%	10%	20%	Property mortgage	50%	75%	100%	150%	200%	Others		
1	Receivables from central governments or central banks	7.548.741	-	-	-	2.603.730	-	59.971	-	-	-	10.212.442
2	Receivables from regional or local governments	-	-	-	-	101.305	-	-	-	-	-	101.305
3	Receivables from administrative units and non-commercial enterprises	835	-	4.570	-	-	-	105.657	-	-	-	111.062
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	9.097	-	3.134.319	-	1.023.925	-	1.055.253	-	-	-	5.222.594
7	Receivables from corporates	165.457	-	130.251	-	49.488	-	16.275.407	-	-	-	16.620.603
8	Retail receivables	128.160	-	79.261	-	-	4.846.640	-	-	-	-	5.054.061
9	Receivables secured by mortgages on property	3.027	-	305	442.376	6.032	-	4.349	-	-	-	456.089
10	Receivables secured by mortgages on commercial property	-	-	-	-	2.297.710	-	113.465	-	-	-	2.411.175
11	Past due receivables	128	-	212	-	238.401	-	219.691	243.917	-	-	702.349
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	4.907	-	-	-	4.907
16	Other receivables	1.333.807	-	558.718	-	-	-	1.884.903	-	-	-	3.777.428
17	Equity share investments	-	-	-	-	-	-	89.421	-	-	-	89.421
18	Total	9.189.252	-	3.907.636	442.376	6.320.591	4.846.640	19.813.024	243.917	-	-	44.763.436

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**X. Explanations on risk management (continued):**

**c.3.3 Exposures by asset classes and risk weights (continued):**

Prior Period		35% secured by										Total risk amount (post-CCF and CRM)
Risk Classes/Risk Weighted	0%	10%	20%	Property mortgage	50%	75%	100%	150%	200%	Others		
1	Receivables from central governments or central banks	5.236.615	-	33	-	586.844	-	145	-	-	-	5.823.637
2	Receivables from regional or local governments	-	-	-	-	7.711	-	-	-	-	-	7.711
3	Receivables from administrative units and non-commercial enterprises	2.048	-	12	-	-	-	126.624	-	-	-	128.684
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	13.202	-	1.517.656	-	3.550.935	-	658.590	-	-	-	5.740.383
7	Receivables from corporates	149.904	-	94.688	-	158.682	-	15.597.269	-	-	-	16.000.543
8	Retail receivables	97.031	-	57.090	-	-	4.407.276	-	-	-	-	4.561.397
9	Receivables secured by mortgages on property	1.951	-	4.524	409.639	10.225	-	6.150	-	-	-	432.489
10	Receivables secured by mortgages on commercial property	-	-	-	-	2.260.956	-	70.876	-	-	-	2.331.832
11	Past due receivables	276	-	200	-	149.505	-	158.166	290.409	-	-	598.556
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	1.168.733	-	831.067	-	-	-	1.623.479	-	-	-	3.623.279
17	Equity share investments	-	-	-	-	-	-	53.214	-	-	-	53.214
18	Total	6.669.760	-	2.505.270	409.639	6.724.858	4.407.276	18.294.513	290.409	-	-	39.301.725

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**X. Explanations on risk management (continued):**

**ç. Counterparty credit risk:**

**ç.1. Qualitative disclosure on counterparty credit risk:**

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The Bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

**ç.2. Counterparty credit risk (CCR) approach analysis:**

Current Period	Replacement cost	Potential Future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 Standardised Approach - CCR (for derivatives)	640	2.854		-	3.494	1.857
2 Internal Model Method (for 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)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>1.857</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

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**X. Explanations on risk management (continued):**

**ç. Counterparty credit risk (continued):**

**ç.2. Counterparty credit risk (CCR) approach analysis (continued):**

Prior Period	Replacement cost	Potential Future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 Standardised Approach - CCR (for derivatives)	1.844	5.038		-	6.882	4.624
2 Internal Model Method (for 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)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>4.624</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

**ç.3. Capital requirement for credit valuation adjustment (CVA):**

	Current Period		Prior Period	
	EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	3.494	539	6.882	1.182
<b>4 Total subject to the CVA capital obligation</b>	<b>3.494</b>	<b>539</b>	<b>6.882</b>	<b>1.182</b>



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**X. Explanations on risk management (continued):**

**ç.4. CCR exposures by risk class and risk weights:**

<b>Current Period</b>									
<b>Risk Classes</b>	<b>Risk Weighted</b>								<b>Total credit exposure<sup>(*)</sup></b>
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	
Receivables from central governments or central banks	-	-	-	-	-	-	-	-	-
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	1.603	711	-	665	-	-	2.979
Receivables from corporates	-	-	-	-	-	515	-	-	515
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1.603</b>	<b>711</b>	<b>-</b>	<b>1.180</b>	<b>-</b>	<b>-</b>	<b>3.494</b>

(\*) Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

<b>Prior Period</b>									
<b>Risk Classes</b>	<b>Risk Weighted</b>								<b>Total credit exposure<sup>(*)</sup></b>
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	
Receivables from central governments or central banks	-	-	-	2.376	-	-	-	-	2.376
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	210	1.803	-	707	-	-	2.720
Receivables from corporates	-	-	-	-	-	1.786	-	-	1.786
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>210</b>	<b>4.179</b>	<b>-</b>	<b>2.493</b>	<b>-</b>	<b>-</b>	<b>6.882</b>

(\*) Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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**X. Explanations on risk management (continued):**

**ç.5. Collaterals for CCR**

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	2.268	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	<b>2.268</b>	-	-	-	-

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	18.740	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>18.740</b>	-	-

**ç.6. Information on the risks of the Bank arising from purchased or sold credit derivatives**

The Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2018: None).

**ç.7. Information on risks of the Bank arising from central counterparty**

The Bank does not have any risks arising from central counterparty (December 31, 2018: None).

**d. Information to be announced to public on Securitization:**

There is not any information to be announced to public on securitization (December 31, 2018: None).

**e. Market risk**

**e.1. Qualitative disclosure on market risk:**

The Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, measure, prioritize, and reduce at an acceptable level and to manage the various risks that the Bank is exposed to.

Risks that positions held by the Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

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**X. Explanations on risk management (continued):**

**e.2 Market risk under standardised approach:**

		Current Period	Prior Period
		RWA	RWA
<b>Outright products</b>			
1	Profit rate risk (general and specific)	87.423	2.767
2	Equity risk (general and specific)	3.378.324	2.217.880
3	Foreign exchange risk	197.334	1.567.329
4	Commodity risk	100.947	12.420
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>3.764.028</b>	<b>3.800.396</b>

**f. Operational risk:**

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2018, amount subject to operational risk and the calculation information are given below.

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	1.228.110	1.372.346	1.594.924	1.398.460	15	209.769
Amount subject to Operational Risk (Total*12,5)	-	-	-	-	-	2.622.113

**g. Qualitative disclosure on profit rate risk arising from banking books**

**a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk**

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Bank's banking books by standard shock method.

The Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Bank in the calculations made within the scope of the related regulation.

Against the risk that these matters may affect the Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.

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**X. Explanations on risk management (continued):**

**b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:**

<b>Currency</b>	<b>Applied Shock (+/-x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity (Losses/Equity) (%)</b>
TL	(+) 500bp	(487.442)	(9,49)
TL	(-) 400bp	488.502	9,51
USD Dollar	(+) 200bp	(417)	(0,01)
USD Dollar	(-) 200bp	3.834	0,07
EUR	(+) 200bp	(43.189)	(0,84)
EUR	(-) 200bp	(2.718)	(0,05)
<b>Total (For Negative Shocks)</b>	-	<b>489.618</b>	<b>9,53</b>
<b>Total (For Positive Shocks)</b>	-	<b>(531.048)</b>	<b>(10,34)</b>

**XI. Explanations on business segments:**

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

<b>Current Period</b>	<b>Retail</b>	<b>Commercial and Corporate</b>	<b>Treasury</b>	<b>Undistributed</b>	<b>Total</b>
Operating Income (Net)	(710.582)	1.926.259	790.943	199.513	2.206.133
Operating Expenses	(739.001)	(1.163.559)	(217.406)	1.126	(2.118.840)
Operating Income/Expenses	(1.449.583)	762.700	573.537	200.639	87.293
Profit/(Loss) Before Tax	(1.449.583)	762.700	573.537	200.639	87.293
Tax Expense	-	-	-	(23.864)	(23.864)
<b>Current Year Profit/(Loss)</b>	<b>(1.449.583)</b>	<b>762.700</b>	<b>573.537</b>	<b>176.775</b>	<b>63.429</b>
<b>Total Assets</b>	<b>2.574.413</b>	<b>28.153.795</b>	<b>17.647.851</b>	<b>3.016.309</b>	<b>51.392.368</b>
<b>Total Liabilities</b>	<b>26.441.681</b>	<b>15.007.697</b>	<b>5.968.600</b>	<b>3.974.390</b>	<b>51.392.368</b>

<b>Prior Period</b>	<b>Retail</b>	<b>Commercial and Corporate</b>	<b>Treasury</b>	<b>Undistributed</b>	<b>Total</b>
Operating Income (Net)	(633.008)	1.537.654	658.577	374.099	1.937.322
Operating Expenses	(246.487)	(717.252)	(146.740)	(658.348)	(1.768.827)
Operating Income/Expenses	(879.495)	820.402	511.837	(284.249)	168.495
Profit/(Loss) Before Tax	(879.495)	820.402	511.837	(284.249)	168.495
Tax Expense	-	-	-	(34.527)	(34.527)
<b>Current Year Profit/(Loss)</b>	<b>(879.495)</b>	<b>820.402</b>	<b>511.837</b>	<b>(318.776)</b>	<b>133.968</b>
<b>Total Assets</b>	<b>2.647.172</b>	<b>24.265.102</b>	<b>12.449.011</b>	<b>2.862.367</b>	<b>42.223.652</b>
<b>Total Liabilities</b>	<b>18.778.877</b>	<b>11.484.813</b>	<b>8.726.896</b>	<b>3.233.066</b>	<b>42.223.652</b>

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**SECTION FIVE**

**Explanations and notes on the unconsolidated financial statements**

**I. Explanations and notes related to assets:**

**1. a. Cash and balances with the Central Bank of Republic of Turkey (CBRT):**

	Current Period		Prior Period	
	TP	YP	TP	YP
Cash/Foreign currency	128.031	894.076	143.580	679.886
CBRT	1.167.687	5.902.132	284.244	3.807.930
Other <sup>(*)</sup>	130.984	572.999	81.896	920.845
<b>Total</b>	<b>1.426.702</b>	<b>7.369.207</b>	<b>509.720</b>	<b>5.408.661</b>

<sup>(\*)</sup> Includes precious metals amounting to TL 145.266 (December 31, 2018: TL 171.675) and cash in transit amounting to TL 558.717 (December 31, 2018: TL 831.066) as of December 31, 2019.

**b. Information related to CBRT:**

	Current Period		Prior Period	
	TP	YP	TP	YP
Unrestricted demand deposit	1.167.543	1.279.517	275.660	761.900
Unrestricted time deposit	-	-	-	-
Restricted time deposit <sup>(*)</sup>	144	4.622.615	8.584	3.046.030
<b>Total</b>	<b>1.167.687</b>	<b>5.902.132</b>	<b>284.244</b>	<b>3.807.930</b>

<sup>(\*)</sup> As of December 31, 2019, the reserve requirement held in standard gold is TL 1.179.678 (December 2018: TL 838.436)

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of December 31, 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1% to 7% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 21% depending on maturity of deposits.

The banks which meet the conditions in the "Communiqué Regarding the Reserve Requirements" on real credit growth rates will get the return at 10%, for the others which do not meet the conditions in the mentioned Communiqué will get the return at 0%.

**c.1. Information on bank**

	Current Period		Prior Period	
	TP	YP	TP	YP
<b>Banks</b>				
Domestic <sup>(*)</sup>	1.102.737	840.048	822.685	3.436.825
Abroad	-	2.244.547	-	957.537
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>1.102.737</b>	<b>3.084.595</b>	<b>822.685</b>	<b>4.394.362</b>

<sup>(\*)</sup> Includes blockaged amount TL 1.032.679 (December 31, 2018: 800.457) booked under TL accounts arising from POS transactions.

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**Explanations and notes on the unconsolidated financial statements (continued)**

**I. Explanations and notes related to assets (continued) :**

**c.2. Information on foreign bank accounts:**

	Current period		Prior Period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	796.257	-	242.415	-
USA and Canada	1.104.077	-	416.030	-
OECD Countries <sup>(*)</sup>	95.442	-	12.479	-
Off-shore banking regions	5.232	-	15.367	-
Other <sup>(**)</sup>	220.548	22.991	257.787	13.459
<b>Total</b>	<b>2.221.556</b>	<b>22.991</b>	<b>944.078</b>	<b>13.459</b>

<sup>(\*)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Represents the balance amounts to TL 153.234 in Iraq Banks belonging to Bank's foreign branch "Erbil" (December 31, 2018: TL 207.770).

**2. Financial assets measured at fair value through profit or loss:**

**a. Information on financial assets measured at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:**

As of December 31, 2019, the nominal amount subject to repurchase agreements is TL 13.931 (December 31, 2018: TL 686.051).

As of December 31, 2019, the amount blocked/guaranteed is TL 895 (December 31, 2018: None).

**b. Financial assets measured at fair value through profit/loss**

	Current Period		Prior Period	
	TL	FC	TL	FC
Investment fund participation certificates (net) <sup>(*)</sup>	1.689.164	-	1.108.940	-
Sukuk	109.688	435.301	1.566	6.741
<b>Total</b>	<b>1.798.852</b>	<b>435.301</b>	<b>1.110.506</b>	<b>6.741</b>

<sup>(\*)</sup> Includes participation certificates of "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" and Venture Capital Investment Funds "Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu" and "Albaraka Portföy Yönetimi A.Ş. Fintech Girişim Sermayesi Yatırım Fonu".

**3. Information on financial assets measured at fair value through other comprehensive income:**

**a. Information on financial assets measured at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked:**

As of December 31, 2019, the nominal amount subject to repurchase agreements is TL 1.075 (December 31, 2018: None).

As of December 31, 2019, guaranteed/blocked nominal amount is TL 355.481 (December 31, 2018: 425.917)

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**I. Explanations and notes related to assets (continued):**

**3. Information on financial assets measured at fair value through other comprehensive income (continued):**

**b. Information on financial assets measured at fair value through other comprehensive income:**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>1.988.590</b>	<b>1.246.349</b>
Quoted on a stock exchange	1.988.590	1.246.349
Unquoted	-	-
<b>Investment Funds</b>	<b>4.907</b>	<b>6.761</b>
Quoted on a stock exchange	-	-
Unquoted	4.907	6.761
<b>Share Certificates</b>	<b>23.312</b>	<b>13.470</b>
Quoted on a stock exchange	15.293	9.562
Unquoted	8.019	3.908
<b>Impairment Provision (-)</b>	<b>2.177</b>	<b>37.058</b>
<b>Total</b>	<b>2.014.632</b>	<b>1.229.522</b>

**4. Information on financial assets measured at amortised cost:**

**a) Information on subject to repurchase transactions, given as a guarantee or blocked:**

As of December 31, 2019, there is not any amount subject to repurchase agreements (December 31, 2018: None)

As of December 31, 2019, there is not any amount blocked/guaranteed. (December 31, 2018: None)

**b) Information on related to government securities measured at amortised cost:**

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities <sup>(*)</sup>	1.934.483	618.506
<b>Total</b>	<b>1.934.483</b>	<b>618.506</b>

<sup>(\*)</sup> Consists of sukuk certificates issued by Ministry of Treasury and Finance of Turkey.

**c) Information related to financial assets measured at amortised cost:**

	Current Period	Prior Period
Debt Securities	1.994.319	618.506
Quoted on a stock exchange	1.994.319	618.506
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>1.994.319</b>	<b>618.506</b>

**ç) Movements of the financial investments measured at amortised cost:**

	Current Period	Prior Period
Balance at beginning of period	618.506	532.803
Foreign currency differences on monetary assets	32.804	-
Purchases during period <sup>(*)</sup>	1.498.768	187.962
Disposals through sales and redemptions <sup>(*)</sup>	(191.868)	(142.329)
Impairment provision (-)	-	-
Reclassifications	-	-
Income accruals	36.109	40.070
<b>Closing balance</b>	<b>1.994.319</b>	<b>618.506</b>

<sup>(\*)</sup> Represented on nominal values

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**I. Explanations and notes related to assets (continued):**

**5. Information on derivative financial assets**

**a) Table of positive differences related to derivative financial assets:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	138	-	1.510	-
Swap Transactions	-	259	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>138</b>	<b>259</b>	<b>1.510</b>	<b>-</b>

The Bank has not any derivative financial assets for hedging purposes. (December 31, 2018: None).



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**I. Explanations and notes related to assets (continued):**

**6. Information on loans:**

**a. Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	164.966	39.387	208.645	7.601
Corporate shareholders	164.690	39.037	208.367	7.251
Real person shareholders	276	350	278	350
Indirect loans granted to shareholders	632.926	27.308	173.457	32.410
Loans granted to employees	15.236	2	14.998	2
<b>Total</b>	<b>813.128</b>	<b>66.697</b>	<b>397.100</b>	<b>40.013</b>

**b. Information on standard loans and loans under close monitoring including restructured or rescheduled Loans:**

**b1. Detailed table for standard loans and loans under close monitoring including restructured or rescheduled loans:**

Current Period		Loans Under Close Monitoring		
		Not Under the Scope of	Restructured	
Cash Loans	Standard Loans	Restructuring or Rescheduling	Amendments to the Terms of Contracts	Refinancing
<b>Loans</b>	<b>24.762.708</b>	<b>2.829.986</b>	<b>268.876</b>	<b>553.950</b>
Export loans	1.351.678	8.228	-	-
Import loans	1.602.342	78.351	-	-
Business loans	13.038.036	2.454.010	212.870	416.862
Consumer loans	2.315.782	112.732	2.183	-
Credit cards	380.322	5.548	-	-
Loans given to financial sector	47.640	-	-	-
Other <sup>(*)</sup>	6.026.908	171.117	53.823	137.088
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>24.762.708</b>	<b>2.829.986</b>	<b>268.876</b>	<b>553.950</b>

<sup>(\*)</sup> Details of other loans are provided below:

Commercial loans with installments	1.207.001
Other investment credits	458.318
Loans given to abroad	1.698.852
Profit and loss sharing investments <sup>(**)</sup>	2.673.428
Loans for purchase of marketable securities for customer	283.110
Other	68.227
<b>Total</b>	<b>6.388.936</b>

<sup>(\*\*)</sup> As of December 31, 2019, the related balance represents profit and loss sharing investment projects (8 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. As of December 31, 2019, the profit and loss sharing investments are evaluated as financial assets measured at fair value through profit or loss, and net profit amounts to TL 96.206 (TL 155.234 valuation profit, TL 59.028 valuation loss) between the total risk of the Bank and independent valuation reports of the related projects is reflected to the profit and loss statement. In addition to the fair value profit, as of December 31, 2019, the project sales profit accrual amounts to TL 34.262. In total, net profit from profit and loss sharing investments is TL 130.468.

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**b. Information on standard loans and loans under close monitoring including restructured or rescheduled Loans (continued):**

**b1. Detailed table for standard loans and loans under close monitoring including restructured or rescheduled loans (continued):**

Prior Period		Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured	
			Amendments to the Terms of Contracts	Refinancing
Cash Loans	Standard Loans			
Loans	19.961.950	4.586.686	84.914	540.129
Export loans	1.011.290	81.016	-	-
Import loans	1.708.418	132.927	155	-
Business loans	9.526.688	3.794.661	79.045	413.192
Consumer loans	2.326.204	177.374	4.703	-
Credit cards	313.127	16.801	-	-
Loans given to financial sector	63.275	-	-	-
Other(*)	5.012.948	383.907	1.011	126.937
Other receivables	-	-	-	-
Total	19.961.950	4.586.686	84.914	540.129

<sup>(\*)</sup> Details of other loans are provided below:

Commercial loans with installments	1.301.900
Other investment credits	472.512
Loans given to abroad	1.143.043
Profit and loss sharing investments <sup>(**)</sup>	2.145.198
Loans for purchase of marketable securities for customer	370.076
Other	92.074
<b>Total</b>	<b>5.524.803</b>

<sup>(\*\*)</sup> As of December 31, 2018, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank, the counterparty after the cost of the projects is clarified, and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank.

**b2. Information on expected credit losses for standard loans and loans under close monitoring:**

Current Period	Standard Loans	Loans under close monitoring
12 Month Expected Credit Losses	100.058	-
Significant Increase in Credit Risk	-	85.093
Prior Period	Standard Loans	Loans under close monitoring
12 Month Expected Credit Losses	67.855	-
Significant Increase in Credit Risk	-	295.451

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**I. Explanations and notes related to assets (continued):**

**c. Maturity analysis of cash loans:**

<b>Cash Loans Current Period</b>	<b>Standard Loans</b>	<b>Loans Under Follow-Up</b>	
		<b>Non-restructured</b>	<b>Restructured</b>
Short term loans	5.858.202	213.376	-
Medium and long-term loans <sup>(*)</sup>	18.904.506	2.616.610	822.826
<b>Total</b>	<b>24.762.708</b>	<b>2.829.986</b>	<b>822.826</b>

<sup>(\*)</sup> Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

<b>Cash Loans Prior Period</b>	<b>Standard Loans</b>	<b>Loans Under Follow-Up</b>	
		<b>Non-restructured</b>	<b>Restructured</b>
Short term loans	4.236.707	771.606	-
Medium and long-term loans <sup>(*)</sup>	15.725.243	3.815.080	625.043
<b>Total</b>	<b>19.961.950</b>	<b>4.586.686</b>	<b>625.043</b>

<sup>(\*)</sup> Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

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**ç. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:**

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Consumer loans-TL</b>	<b>42.191</b>	<b>2.378.802</b>	<b>2.420.993</b>
Housing loans	12.147	2.082.795	2.094.942
Vehicle loans	12.443	210.479	222.922
Consumer loans	17.601	85.528	103.129
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>-</b>	<b>212</b>	<b>212</b>
Housing loans	-	212	212
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>104.320</b>	<b>172</b>	<b>104.492</b>
With installment	33.424	164	33.588
Without installment	70.896	8	70.904
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>7.948</b>	<b>1.544</b>	<b>9.492</b>
Housing loans	-	11	11
Vehicle loans	140	827	967
Consumer loans	7.808	706	8.514
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>5.723</b>	<b>21</b>	<b>5.744</b>
With installment	2.541	21	2.562
Without installment	3.182	-	3.182
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>160.182</b>	<b>2.380.751</b>	<b>2.540.933</b>

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**I. Explanations and notes related to assets (continued):**

**ç. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards (continued):**

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Consumer loans-TL</b>	<b>11.980</b>	<b>2.486.782</b>	<b>2.498.762</b>
Housing loans	2.298	2.318.529	2.320.827
Vehicle loans	2.088	77.325	79.413
Consumer loans	7.594	90.928	98.522
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>-</b>	<b>99</b>	<b>99</b>
Housing loans	-	99	99
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>90.527</b>	<b>-</b>	<b>90.527</b>
With installment	29.971	-	29.971
Without installment	60.556	-	60.556
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>6.589</b>	<b>2.831</b>	<b>9.420</b>
Housing loans	11	170	181
Vehicle loans	6	737	743
Consumer loans	6.572	1.924	8.496
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>5.578</b>	<b>-</b>	<b>5.578</b>
With installment	2.347	-	2.347
Without installment	3.231	-	3.231
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>114.674</b>	<b>2.489.712</b>	<b>2.604.386</b>

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**I. Explanations and notes related to assets (continued):**

**d. Information on commercial loans with installments and corporate credit cards:**

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Commercial installment loans-TL</b>	<b>58.262</b>	<b>756.177</b>	<b>814.439</b>
Business loans	3.036	196.308	199.344
Vehicle loans	48.075	396.582	444.657
Consumer loans	7.151	163.287	170.438
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	<b>-</b>	<b>199.773</b>	<b>199.773</b>
Business loans	-	101.807	101.807
Vehicle loans	-	23.898	23.898
Consumer loans	-	74.068	74.068
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>4.714</b>	<b>188.075</b>	<b>192.789</b>
Business loans	-	113.768	113.768
Vehicle loans	4.714	32.017	36.731
Consumer loans	-	42.290	42.290
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>275.382</b>	<b>252</b>	<b>275.634</b>
With installment	71.610	235	71.845
Without installment	203.772	17	203.789
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>338.358</b>	<b>1.144.277</b>	<b>1.482.635</b>

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Commercial installment loans-TL</b>	<b>24.569</b>	<b>723.152</b>	<b>747.721</b>
Business loans	3.123	215.884	219.007
Vehicle loans	14.958	195.023	209.981
Consumer loans	6.488	312.245	318.733
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	<b>260</b>	<b>372.637</b>	<b>372.897</b>
Business loans	-	196.574	196.574
Vehicle loans	133	59.305	59.438
Consumer loans	127	116.758	116.885
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>1.531</b>	<b>179.751</b>	<b>181.282</b>
Business loans	-	138.162	138.162
Vehicle loans	1.531	4.178	5.709
Consumer loans	-	37.411	37.411
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>233.823</b>	<b>-</b>	<b>233.823</b>
With installment	54.103	-	54.103
Without installment	179.720	-	179.720
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>260.183</b>	<b>1.275.540</b>	<b>1.535.723</b>

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**I. Explanations and notes related to assets (continued):**

**e. Allocation of loans by customers:**

	Current Period	Prior Period
Public	227.525	-
Private	28.187.995	25.173.679
<b>Total</b>	<b>28.415.520</b>	<b>25.173.679</b>

**f. Breakdown of domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	26.716.668	24.030.636
Foreign loans	1.698.852	1.143.043
<b>Total</b>	<b>28.415.520</b>	<b>25.173.679</b>

**g. Loans granted to subsidiaries and associates:**

	Current Period		Prior Period	
	TP	YP	TP	YP
Direct Loans Granted to Subsidiaries and Associates	3	-	1	-
Indirect Loans Granted to Subsidiaries and Associates	-	-	-	-
<b>Total</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>-</b>

**ğ. Specific provisions for loans or provisions for default loans (stage 3):**

	Current Period	Prior Period
Loans with limited collectability	250.661	107.883
Loans with doubtful collectability	114.063	82.362
Uncollectible loans	581.907	703.240
<b>Total</b>	<b>946.631</b>	<b>893.485</b>

Specific provisions in the amount of TL 946.631 (December 31, 2018: TL 893.485) comprise TL 418.351 (December 31, 2018: TL 464.428) of participation account share of loans provided from participation accounts.

**h. Information on non-performing loans (net):**

**h.1. Information on non-performing and restructured loans:**

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectable loans
<b>Current period</b>			
Gross amount before specific provisions	1.645	42.080	92.590
Restructured loans	1.645	42.080	92.590
<b>Prior Period</b>			
Gross amount before specific provisions	1.233	7.597	24.632
Restructured loans	1.233	7.597	24.632

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**I. Explanations and notes related to assets (continued):**

**h.2. Movements of total non-performing loans:**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Current Period</b>	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectable loans</b>
<b>Closing balance of prior period</b>	<b>346.493</b>	<b>341.237</b>	<b>1.200.817</b>
Additions in the current period (+)	982.060	80.672	177.977
Transfers from other categories of non-performing loans (+)	-	790.836	688.296
Transfers to other categories of non-performing loans (-)	790.836	688.296	-
Collections in the current period (-)	62.083	122.433	191.240
Transfers to standard loans (-) <sup>(*)</sup>	9.200	82.368	440.209
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Closing balance of the current period</b>	<b>466.434</b>	<b>319.648</b>	<b>1.435.641</b>
<b>Provisions (-)</b>	<b>250.661</b>	<b>114.063</b>	<b>581.907</b>
<b>Net balance at the balance sheet</b>	<b>215.773</b>	<b>205.585</b>	<b>853.734</b>

<sup>(\*)</sup>According to change in "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated November 27, 2019 numbered 3096, the written off amount is TL 441.418 and its effect to NPL ratio is 131 basis point.

Non-performing loans and receivables in the amount of TL 2.221.723 comprise TL 1.120.746 of participation account share of loans provided from participation accounts.

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b>Prior Period</b>	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectable loans and receivables</b>
<b>Closing balance of prior period</b>	<b>68.903</b>	<b>268.963</b>	<b>874.744</b>
Additions in the current period (+)	1.015.020	164.492	208.578
Transfers from other categories of non-performing loans (+)	-	551.598	439.614
Transfers to other categories of non-performing loans (-)	551.598	439.614	-
Collections in the current period (-)	113.506	160.552	195.990
Transfers to standard loans (-)	-	-	-
Write offs (-) <sup>(*)</sup>	72.326	43.650	126.129
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other <sup>(**)</sup>	72.326	43.650	126.129
<b>Closing balance of the current period</b>	<b>346.493</b>	<b>341.237</b>	<b>1.200.817</b>
<b>Specific provisions (-)</b>	<b>107.883</b>	<b>82.362</b>	<b>703.240</b>
<b>Net balance at the balance sheet</b>	<b>238.610</b>	<b>258.875</b>	<b>497.577</b>

<sup>(\*)</sup> The Bank has assigned TL 242.105 from its non-performing loan portfolio to asset management companies.

Non-performing loans and receivables in the amount of TL 1.888.547 comprise TL 1.005.830 of participation account share of loans and receivables provided from participation accounts.



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**I. Explanations and notes related to assets (continued):**

**h.3. Non-performing loans and other receivables in foreign currencies:**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectable loans</b>
<b>Current period:</b>			
Period end balance	262.392	19.248	99.860
Provision (-)	162.380	5.990	48.339
<b>Net balance</b>	<b>100.012</b>	<b>13.258</b>	<b>51.521</b>
<b>Prior period:</b>			
Period end balance	9.868	89.051	96.284
Specific provision (-)	4.714	2.080	47.628
<b>Net balance</b>	<b>5.154</b>	<b>86.971</b>	<b>48.656</b>

**h.4. Gross and net amounts of non-performing loans according to user groups:**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectable loans</b>
<b>Current period (net)</b>	<b>215.773</b>	<b>205.585</b>	<b>853.734</b>
Loans to individuals and corporates (gross)	466.434	319.648	1.435.641
Provision (-)	250.661	114.063	581.907
<b>Loans to individuals and corporates (net)</b>	<b>215.773</b>	<b>205.585</b>	<b>853.734</b>
Banks (gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Provision (-)	-	-	-
<b>Other loans (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (net)<sup>(*)</sup></b>	<b>238.610</b>	<b>258.875</b>	<b>497.577</b>
Loans to individuals and corporates (gross)	346.493	341.237	1.200.817
Specific provision (-)	107.883	82.362	703.240
<b>Loans to individuals and corporates (net)</b>	<b>238.610</b>	<b>258.875</b>	<b>497.577</b>
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**h.5. Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9:**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectibility</b>	<b>Loans with doubtful collectibility</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>19.373</b>	<b>43.571</b>	<b>180.590</b>
Profit Share Accruals and Valuation Differences	25.237	58.290	279.633
Provision (-)	5.864	14.719	99.043
<b>Prior Period (Net)</b>	<b>38.694</b>	<b>30.522</b>	<b>68.964</b>
Profit Share Accruals and Valuation Differences	55.013	38.336	187.489
Provision (-)	16.319	7.814	118.525

**i. Liquidation policy for uncollectible loans:**

Loans determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

**i. Information on write-off policies:**

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Bank management (December 31, 2018: TL 242.405). As of December 31, 2019, loans which deemed uncollectible amounts to TL 441.418 have been written off as per the decision taken by the bank management. (December 31, 2018: TL 242.105 has been assigned to the asset management companies.

**7. Information on lease receivables (net):**

**a. Presentation of remaining maturities of funds lent under finance lease method:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than a year	54.436	36.045	98.287	92.097
1 to 4 years	137.190	126.827	212.039	184.566
More than 4 years	83.308	80.806	112.474	102.891
<b>Total</b>	<b>274.934</b>	<b>243.678</b>	<b>422.800</b>	<b>379.554</b>

**b. Information on net investments through finance lease:**

	<b>Current Period</b>	<b>Prior Period</b>
Financial lease receivables (Gross)	274.934	422.800
Unearned financial lease receivable (-)	31.256	43.246
<b>Net receivable from financial leases</b>	<b>243.678</b>	<b>379.554</b>

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**I. Explanations and notes related to assets (continued):**

**c. General explanation on finance lease contracts:**

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured	
			Loans with Revised Contract Terms	Refinancing
Standard Loans				
Current Period				
Financial lease receivables (Net)	231.435	10.337	1.906	-
Prior Period				
Financial lease receivables (Net)	272.979	105.226	1.349	-

**8. Information on assets held for sale and assets of discontinued operations:**

Assets held for sale consist of tangible assets, which have been acquired due to non-performing loans.

	Current Period	Prior Period
Opening Balance	649.688	84.230
Additions	159.027	875.842
Disposals	(62.075)	(40.610)
Transfers <sup>(*)</sup>	(835.806)	(58.968)
Impairment Provision(-)/Reversal of Impairment Provision <sup>(*)</sup>	213.646	(210.806)
<b>Net closing balance</b>	<b>124.480</b>	<b>649.688</b>

<sup>(\*)</sup>The transfers and impairments related to the transfers (if any) have been moved to assets to be sold under tangible assets.

As of December 31, 2019, TL 123.357 (December 31, 2018: TL 646.597) of the assets held for sale is comprised of real estates, TL 1.123 (December 31, 2018: TL 3.091) is comprised of other tangible assets. The Bank has not any discontinued operations and assets of discontinued operations.

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**I. Explanations and notes related to assets (continued):**

**9. Ownership investments:**

**a. Associates:**

**a.1. Information on unconsolidated associates:**

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara/Turkey	1,49	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2018.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period profit/loss	Prior years profit/loss	Fair value
476.692	392.969	25.822	-	-	64.893	32	-

**a.2. Information on consolidated associates:**

As of balance sheet date, the Bank does not have any consolidated associates.

**b. Information on subsidiaries (net):**

**b1. Information on unconsolidated non financial subsidiaries:**

As per BOD decision dated December 22, 2017 "Albaraka Kültür Sanat ve Yayıncılık A.Ş." has been established. As of December 31, 2019, the company's capital is TL 3.540 and the Bank has 100% ownership on it. Since it is a non-financial subsidiary, it has not been consolidated.

As per BOD decision dated December 24, 2018 "Albaraka Teknoloji Bilişim Sistemleri ve Pazarlama Ticaret Anonim Şirketi" has been established. As of December 31, 2019, the company's capital is TL 18.000 and the Bank has 100% ownership on it. Since it is a non-financial subsidiary, it has not been consolidated.

**b2. Information on consolidated subsidiaries:**

i. The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from unaudited financial statements as of December 31, 2019.

Name	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Bereket Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period profit/loss	Prior years profit/loss	Fair value
2.712.621	507	-	-	-	104	3	-

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**I. Explanations and notes related to assets (continued):**

**b2. Information on consolidated subsidiaries (continued):**

ii. In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş." whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The title of the company was changed to "Albaraka Portföy Yönetimi A.Ş." upon the decision of "2018 Extraordinary General Assembly" dated December 20, 2017. As of December 31, 2019, the capital of the company is TL 16.000. The balances of Albaraka Portföy Yönetimi A.Ş. presented in the table below have been obtained from unaudited financial statements as of December 31, 2019.

<b>Name</b>	<b>Address (City/Country)</b>	<b>Bank's share percentage- If different voting percentage (%)</b>	<b>Risk share percentage of other shareholders (%)</b>
Albaraka Portföy Yön. A.Ş.	Istanbul/Turkey	100,00	-

<b>Total assets</b>	<b>Shareholders' equity</b>	<b>Total fixed assets</b>	<b>Dividend or profit share income</b>	<b>Income from marketable securities</b>	<b>Current period profit/loss</b>	<b>Prior years profit/loss</b>	<b>Fair value</b>
32.934	30.674	205	4.413	20.426	13.374	686	-

iii. As of December 31, 2019, unaudited financial statements of the Bank's subsidiary "Insha GMBH" based in Berlin ( Germany ) established under "Europe Digital Banking Project" is as follows;

<b>Name</b>	<b>Address (City/Country)</b>	<b>Bank's share percentage- If different voting percentage (%)</b>	<b>Risk share percentage of other shareholders (%)</b>
Insha GMBH	Berlin/Germany	100,00	-

<b>Total assets</b>	<b>Shareholders' equity</b>	<b>Total fixed assets</b>	<b>Dividend or profit share income</b>	<b>Income from marketable securities</b>	<b>Current period profit/loss</b>	<b>Prior years profit/loss</b>	<b>Fair value</b>
1.826.367 €	1.755.164 €	-	-	-	(1.174.997)€	(5.620) €	-

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**I. Explanations and notes related to assets (continued):**

**iv. Movement and sectoral information on consolidated subsidiaries:**

	<b>Current Period</b>	<b>Prior Period</b>
Amount at the beginning of the period	11.307	5.400
Movements inside the term	12.404	5.907
Purchases/new incorporations/capital increases	12.404	5.907
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	23.711	11.307
Capital commitments	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100</b>	<b>100</b>

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	23.711	11.307

**c. Information on investments in joint-ventures:**

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company-through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial data from unaudited financial statements as of December 31, 2019 are below.

<b>Joint-Ventures</b>	<b>The Parent Bank's shareholding percentage (%)</b>	<b>Group's shareholding percentage (%)</b>	<b>Current Assets</b>	<b>Non-Current Assets</b>	<b>Long Term Debts</b>	<b>Income</b>	<b>Expense</b>
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	167.363	2.445.814	2.454.654	139.324	(111.810)

Investment in joint venture in the unconsolidated financial statements is carried at cost.

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**I. Explanations and notes related to assets (continued):**

**10. Information on tangible assets:**

<b>Current period</b>	<b>Immovables<sup>(*)</sup></b>	<b>Leased tangible assets</b>	<b>Vehicles</b>	<b>Other<sup>(*)</sup></b>	<b>Assets held for sale</b>	<b>Total</b>
<b>Cost</b>						
<b>Opening balance: January 1, 2019</b>	<b>445.917</b>	-	<b>733</b>	<b>267.945</b>	<b>187.356</b>	<b>901.951</b>
Additions	316.868	-	4	56.216	5	373.093
Revaluation differences	31.588	-	-	-	-	31.588
Disposals	(500)	-	-	(15.513)	(67.901)	(83.914)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(212.178)	(212.178)
Transfers	-	-	-	-	835.806	835.806
<b>Ending balance: December 31, 2019</b>	<b>793.873</b>	-	<b>737</b>	<b>308.648</b>	<b>743.088</b>	<b>1.846.346</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2019</b>	<b>55.622</b>	-	<b>539</b>	<b>187.214</b>	<b>3.127</b>	<b>246.502</b>
Depreciation expense	56.735	-	67	42.191	-	98.993
Reversal of depreciation of the disposed assets	(73)	-	-	(14.780)	(711)	(15.564)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2019</b>	<b>112.284</b>	-	<b>606</b>	<b>214.625</b>	<b>2.416</b>	<b>329.931</b>
<b>Total cost at the end of the year</b>	<b>793.873</b>	-	<b>737</b>	<b>308.648</b>	<b>743.088</b>	<b>1.846.346</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(112.284)</b>	-	<b>(606)</b>	<b>(214.625)</b>	<b>(2.416)</b>	<b>(329.931)</b>
<b>Closing net book value</b>	<b>681.589</b>	-	<b>131</b>	<b>94.023</b>	<b>740.672</b>	<b>1.516.415</b>
<b>Prior period</b>	<b>Immovables</b>	<b>Leased tangible assets</b>	<b>Vehicles</b>	<b>Other</b>	<b>Assets Held for sale</b>	<b>Total</b>
<b>Cost</b>						
<b>Opening balance: January 1, 2018</b>	<b>420.829</b>	-	<b>808</b>	<b>245.563</b>	<b>145.274</b>	<b>812.474</b>
Additions	2.717	-	115	33.902	518	37.252
Revaluation differences	26.779	-	-	-	-	26.779
Disposals	(4.408)	-	(190)	(11.520)	(15.725)	(31.843)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(1.679)	(1.679)
Transfers	-	-	-	-	58.968	58.968
<b>Ending balance: December 31, 2018</b>	<b>445.917</b>	-	<b>733</b>	<b>267.945</b>	<b>187.356</b>	<b>901.951</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2018</b>	<b>46.238</b>	-	<b>653</b>	<b>172.717</b>	<b>3.200</b>	<b>222.808</b>
Depreciation expense	9.876	-	65	28.158	-	38.099
Reversal of depreciation of the disposed assets	(492)	-	(179)	(13.661)	(73)	(14.405)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2018</b>	<b>55.622</b>	-	<b>539</b>	<b>187.214</b>	<b>3.127</b>	<b>246.502</b>
<b>Total cost at the end of the year</b>	<b>445.917</b>	-	<b>733</b>	<b>267.945</b>	<b>187.356</b>	<b>901.951</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(55.622)</b>	-	<b>(539)</b>	<b>(187.214)</b>	<b>(3.127)</b>	<b>(246.502)</b>
<b>Closing net book value</b>	<b>390.295</b>	-	<b>194</b>	<b>80.731</b>	<b>184.229</b>	<b>655.449</b>

As of December 31, 2019, the immovables of the Bank have been revalued by an independent valuer and revaluation fund of TL 270.910 (December 31, 2018: TL 251.889) net of deferred tax and depreciation has been reflected in the financial statements. After the revaluation, the cost of the Bank's immovables amounting to TL 475.522 (December 31, 2018: TL 445.917), their amortisations amounting to TL 66.192 (December 31, 2018: TL 55.622), net carrying value is TL 409.330 (December 31, 2018: TL 390.295). As of December 31, 2019, the cost of the movables and immovable recognized as "right of use" under tangible assets in the balance sheet of the Bank is TL 340.638, related amortisations amounting to TL 56.909. The initial transition effect of "IFRS 16 Leases" standard has been represented under additions line for more information please see Section three: Accounting Policies, Accounting policies and valuation principles applied in the preparation of financial statements, Reclassifications of TFRS 16.

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**I. Explanations and notes related to assets (continued):**

**11. Information on intangible assets:**

a) Opening and ending book values and accumulated depreciation balances:

	<b>Current Period</b>	<b>Prior Period</b>
Gross book value	168.113	149.969
Accumulated depreciation (-)	137.578	118.550
<b>Total (net)</b>	<b>30.535</b>	<b>31.419</b>

b) Intangible assets movement between the beginning and end of the period:

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	31.419	28.475
Additions	16.925	21.910
Disposals (-) (net)	-	305
Depreciation expense (-)	17.809	18.661
<b>Closing net book value</b>	<b>30.535</b>	<b>31.419</b>

**12. Information on investment property:**

None (December 31, 2018: None).



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**I. Explanations and notes related to assets (continued):**

**13. Information related to deferred tax asset:**

As of December 31, 2019, the Bank calculated net deferred tax asset of TL 166.390 (December 31, 2018: TL 170.099) by netting off deferred tax asset of TL 229.752 (December 31, 2018: TL 201.978) and deferred tax liability of TL 63.362 (December 31, 2018: TL 31.879) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	<b>Current Period</b>	<b>Prior Period</b>
Rediscount on profit share and prepaid fees and commission income and unearned revenues	56.241	38.067
Provisions for retirement premium and vacation pay liabilities	20.112	14.971
Difference between carrying value and tax base of tangible assets (amortisation differences)	20.010	7.035
Depreciation of tangible assets	42.801	47.404
Provisions for cases on trial	3.444	953
Revaluation difference of financial assets measured at fair value through other comprehensive income	-	8.524
Provisions	24.961	68.717
Leasing profit share expenses	11.832	-
Other	50.351 <sup>(*)</sup>	16.307
<b>Deferred tax asset</b>	<b>229.752</b>	<b>201.978</b>
Revaluation difference of property	21.063	17.718
Rediscount on profit share	8.445	10.645
Right of use assets	19.710	-
Other	14.144	3.516
<b>Deferred tax liability</b>	<b>63.362</b>	<b>31.879</b>
<b>Deferred tax asset (net)</b>	<b>166.390</b>	<b>170.099</b>

<sup>(\*)</sup> Includes TL 45.796 subjected to deferred tax arising from previous years' losses

<sup>(\*\*)</sup> Includes Revaluation difference of financial assets measured at fair value through other comprehensive income amounting to TL 11.298 and deferred tax liability calculated for derivative financial instruments amounting to TL 87.

**14. Information on other assets:**

As of the balance sheet date, the Bank's other assets balance is TL 525.865 (December 31, 2018: TL 403.722) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

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**II. Explanations and notes related to liabilities:**

**1. Information on funds collected:**

**a. Information on maturity structure of funds collected:**

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts</b>									
Non-Trade TL	1.683.275	-	-	-	-	-	-	-	1.683.275
<b>II. Real Persons Participation</b>									
Accounts Non-Trade TL	-	2.908.832	5.077.473	207.355	-	34.125	401.888	13.686	8.643.359
<b>III. Current Account other-TL</b>	2.516.120	-	-	-	-	-	-	-	2.516.120
Public Sector	68.515	-	-	-	-	-	-	-	68.515
Commercial Institutions	2.345.812	-	-	-	-	-	-	-	2.345.812
Other Institutions	76.454	-	-	-	-	-	-	-	76.454
Commercial and Other Institutions	18.415	-	-	-	-	-	-	-	18.415
Banks and Participation Banks	6.924	-	-	-	-	-	-	-	6.924
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2	-	-	-	-	-	-	-	2
Foreign Banks	6.788	-	-	-	-	-	-	-	6.788
Participation Banks	134	-	-	-	-	-	-	-	134
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	366.484	1.329.289	41.872	-	56.180	59.858	183	1.853.866
Public Sector	-	56	81	-	-	-	-	-	137
Commercial Institutions	-	323.641	1.140.561	38.821	-	55.674	57.009	183	1.615.889
Other Institutions	-	21.522	185.968	3.051	-	506	2.849	-	213.896
Commercial and Other Institutions	-	21.265	2.288	-	-	-	-	-	23.553
Banks and Participation Banks	-	-	391	-	-	-	-	-	391
<b>V. Real Persons Current Accounts</b>									
Non- Trade FC	3.978.509	-	-	-	-	-	-	-	3.978.509
<b>VI. Real Persons Participation</b>									
Accounts Non-Trade FC	-	3.281.952	5.189.583	463.346	-	30.296	1.062.696	1.388	10.029.261
<b>VII. Other Current Accounts FC</b>	4.845.801	-	-	-	-	-	-	-	4.845.801
Residents in Turkey-Corporate	3.240.586	-	-	-	-	-	-	-	3.240.586
Residents Abroad-Corporate	817.820	-	-	-	-	-	-	-	817.820
Banks and Participation Banks	787.395	-	-	-	-	-	-	-	787.395
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	781.931	-	-	-	-	-	-	-	781.931
Participation Banks	5.464	-	-	-	-	-	-	-	5.464
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts</b>									
other- FC	-	498.817	2.893.485	612.470	-	6.545	14.971	27	4.026.315
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	348.427	2.117.663	39.815	-	6.545	14.922	27	2.527.399
Other institutions	-	4.130	49.904	6	-	-	-	-	54.040
Commercial and Other Institutions	-	65.806	173.495	4.626	-	-	49	-	243.976
Banks and Participation Banks	-	80.454	552.423	568.023	-	-	-	-	1.200.900
<b>IX. Precious Metals Deposits</b>	878.269	285.168	954.585	27.361	-	9.509	37.828	182	2.192.902
<b>X. Participation Accounts</b>									
Special Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special</b>									
Fund Pools – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>13.901.974</b>	<b>7.341.253</b>	<b>15.444.415</b>	<b>1.352.404</b>	<b>-</b>	<b>136.655</b>	<b>1.577.241</b>	<b>15.466</b>	<b>39.769.408</b>

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**II. Explanations and notes related to liabilities (continued):**

**a. Information on maturity structure of funds collected (continued):**

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current</b>									
Accounts Non-Trade TL	1.134.274	-	-	-	-	-	-	-	1.134.274
<b>II. Real Persons Participation</b>									
Accounts Non-Trade TL	-	2.428.892	3.925.701	138.487	-	29.371	439.698	10.667	6.972.816
<b>III. Current Account other-TL</b>	1.675.382	-	-	-	-	-	-	-	1.675.382
Public Sector	44.119	-	-	-	-	-	-	-	44.119
Commercial Institutions	1.547.656	-	-	-	-	-	-	-	1.547.656
Other Institutions	56.880	-	-	-	-	-	-	-	56.880
Commercial and Other Institutions	3.513	-	-	-	-	-	-	-	3.513
Banks and Participation Banks	23.214	-	-	-	-	-	-	-	23.214
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2	-	-	-	-	-	-	-	2
Foreign Banks	23.211	-	-	-	-	-	-	-	23.211
Participation Banks	1	-	-	-	-	-	-	-	1
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	324.687	1.373.472	186.881	-	7.553	104.511	32	1.997.136
Public Sector	-	68	1.190	-	-	-	-	-	1.258
Commercial Institutions	-	304.892	1.224.378	133.657	-	6.309	97.729	32	1.766.997
Other Institutions	-	19.707	147.337	53.224	-	1.244	4.931	-	226.443
Commercial and Other Institutions	-	20	5	-	-	-	1.851	-	1.876
Banks and Participation Banks	-	-	562	-	-	-	-	-	562
<b>V. Real Persons Current</b>									
Accounts Non- Trade FC	2.253.033	-	-	-	-	-	-	-	2.253.033
<b>VI. Real Persons Participation</b>									
Accounts Non-Trade FC	-	2.200.909	3.871.958	301.876	-	26.181	638.977	387	7.040.288
<b>VII. Other Current Accounts FC</b>	3.200.185	-	-	-	-	-	-	-	3.200.185
Residents in Turkey- Corporate	2.386.238	-	-	-	-	-	-	-	2.386.238
Residents abroad- Corporate	388.771	-	-	-	-	-	-	-	388.771
Banks and Participation Banks	425.176	-	-	-	-	-	-	-	425.176
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	420.247	-	-	-	-	-	-	-	420.247
Participation Banks	4.929	-	-	-	-	-	-	-	4.929
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	465.979	2.232.544	207.092	-	12.236	11.108	-	2.928.959
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	255.551	1.400.746	62.073	-	12.236	11.068	-	1.741.674
Other Institutions	-	2.986	29.705	3.613	-	-	-	-	36.304
Commercial and Other Institutions	-	10.986	208.223	3.371	-	-	40	-	222.620
Banks and Participation Banks	-	196.456	593.870	138.035	-	-	-	-	928.361
<b>IX. Precious Metals Deposits</b>	465.759	184.260	706.317	31.486	-	8.140	25.303	135	1.421.400
<b>X. Participation Accounts</b>									
Special Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts</b>									
Special Fund Pools -FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+....+IX+X+XI)</b>	<b>8.728.633</b>	<b>5.604.727</b>	<b>12.109.992</b>	<b>865.822</b>	<b>-</b>	<b>83.481</b>	<b>1.219.597</b>	<b>11.221</b>	<b>28.623.473</b>

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**II. Explanations and notes related to liabilities (continued):**

**b. Information on participation fund under the guarantee of insurance:**

**b.1. Exceeding the limit of Insurance Fund:**

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance	Under the guarantee of Insurance	Exceeding the guarantee of Insurance	Exceeding the guarantee of Insurance
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	5.855.401	4.415.669	4.471.232	3.691.420
Foreign currency accounts	4.485.043	2.621.145	11.489.849	7.874.166
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 150 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

**b.2. Funds collected which are not under the guarantee of insurance fund:**

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	40.415	28.459
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	16.974	12.634
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

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**II. Explanations and notes related to liabilities (continued):**

**2. Information on borrowings:**

**a.1. Information on types of borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Syndication Loans	-	-	-	1.665.370
Wakala Loans	-	978.465	-	1.210.541
Loans Obtained from Issued Lease Certificates (Sukuk )	2.743.027	-	1.613.630	1.848.913
Other	100.219	712.914	220.698	292.941
<b>Total</b>	<b>2.843.246</b>	<b>1.691.379</b>	<b>1.834.328</b>	<b>5.017.765</b>

**a.2. Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	2.843.246	252.151	1.668.199	2.141.854
Loans from foreign banks, institutions and funds	-	1.439.228	166.129	2.875.911
<b>Total</b>	<b>2.843.246</b>	<b>1.691.379</b>	<b>1.834.328</b>	<b>5.017.765</b>

**a.3. Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	2.813.166	1.129.603	1.563.656	1.354.438
Medium and Long-Term	30.080	561.776	270.672	3.663.327
<b>Total</b>	<b>2.843.246</b>	<b>1.691.379</b>	<b>1.834.328</b>	<b>5.017.765</b>

**b. Additional disclosures on concentration areas of Bank's liabilities:**

The Bank does not have concentration on customer or sector group providing funds (December 31, 2018: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	504	41	205	-
Swap transactions	-	304	1.340	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>504</b>	<b>345</b>	<b>1.545</b>	<b>-</b>

The Bank has not any derivative financial liabilities for hedging purposes (December 31,2018: None).

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**II. Explanations and notes related to liabilities (continued):**

**4. Lease payables:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than a year	6.291	-	-	-
1 to 5 years	81.724	1.199	-	-
Over 5 years	199.740	11.706	-	-
<b>Total</b>	<b>287.755</b>	<b>12.905</b>	<b>-</b>	<b>-</b>

**5. Information on provisions:**

**a. Information on provisions for employee rights:**

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 85.961 (December 31, 2018: TL 62.147), vacation pay liability amounting to TL 13.270 (December 31, 2018: TL 11.174) totaling to TL 99.231 (December 31, 2018: TL 73.321). Provisions for performance premium has not been allocated in the current period (December 31, 2018: None). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	11,70	16,00
Estimated increase rate of salary ceiling (%)	8,90	12,30

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	62.147	50.623
Change in the period	20.480	14.844
Actuarial (gain)/loss	13.716	2.892
Paid during the period	(10.382)	(6.212)
<b>Balance at the end of the period</b>	<b>85.961</b>	<b>62.147</b>

**b. Other provisions:**

	Current Period	Prior Period
Non-cash loans first and second stage expected loss provisions	11.047	6.192
Provisions allocated from profit shares to be distributed to profit sharing accounts	-	-
Third stage expected loss provisions for unindemnified letter of guarantees	3.686	3.037
Third stage expected loss provisions for cheques commitments	3.883	2.309
Provisions for promotions related with credit cards and promotion of banking services	224	212
Provisions for cases on trial	15.655	4.440
Accrual for purchase and sale commitments	291	148
Other	735	612
<b>Total</b>	<b>35.521</b>	<b>16.950</b>

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**II. Explanations and notes related to liabilities (continued):**

**c. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:**

As of December 31, 2019 provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 901 (December 31, 2018: TL 3.802 ) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

**6. Information on taxes payable:**

**a. Explanations on current tax liability:**

**a.1. Explanations on tax provisions:**

As of December 31, 2019, remaining tax liability after offsetting prepaid corporate tax is TL 4.722. (December 31, 2018: TL 3.071).

**a.2. Information on taxes payable:**

	Current Period	Prior Period
Corporate taxes payable	4.722	3.071
Banking insurance transaction tax	14.130	17.376
Taxation on securities income	24.408	12.024
Value added tax payable	1.295	1.530
Taxation on real estate income	1.230	1.233
Foreign exchange transaction tax	2.274	-
Income tax deducted from wages	10.331	9.385
Other	1.967	1.190
<b>Total</b>	<b>60.357</b>	<b>45.809</b>

**a.3. Information on premiums:**

	Current Period	Prior Period
Social security premiums-employee	5.483	4.531
Social security premiums-employer	5.948	4.918
Bank pension fund premium-employees	-	-
Bank pension fund premium-employer	-	-
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	390	321
Unemployment insurance-employer	780	643
Other	-	-
<b>Total</b>	<b>12.601</b>	<b>10.413</b>

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**II. Explanations and notes related to liabilities (continued):**

**7. Liabilities for assets held for sale and discontinued operations:**

None (December 31, 2018: None).

**8. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in calculation of additional Tier I Capital	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in calculation of Tier II Capital	-	1.375.164	-	1.204.297
Subordinated loans	-	1.375.164	-	1.204.297
Subordinated debt instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.375.164</b>	<b>-</b>	<b>1.204.297</b>

The Bank has obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 20.161.000 and this amount is offset in financial assets measured at fair value through other comprehensive income and subordinated loans.

The Bank has realized unmatured additional Tier 1 Capital amount to USD 205.000.000 on February 20, 2018.

**9. Breakdown of items in other liabilities, which exceed 10% of the balance sheet total, and breakdown of items, which constitute at least 20% of grand total:**

None (December 31, 2018: None).

**10. Information on shareholders' equity:**

**a. Presentation of paid-in capital:**

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	-

**b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:**

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

**c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period:**

The Bank has completed capital increase through rights issues in December 2019. As of December 31, 2019 the capital has not been registered and the added amount (TL 450.000) has been represented under "Other Capital Reserves" on the balance sheet.



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**II. Explanations and notes related to liabilities (continued):**

**10. Information on shareholders' equity:**

**ç. Information on share capital increases from capital reserves during the current period:**

There is no share capital increase from capital reserves during the current period.

**d. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:**

There are no capital commitments until the end of the last fiscal year and following interim period.

**e. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:**

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

**f. Information on privileges given to stocks representing the capital:**

There is no privilege given to stocks representing the capital.

**g. Information on marketable securities valuation reserve:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference <sup>(*)</sup>	4.023	36.033	(23.419)	(7.774)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>4.023</b>	<b>36.033</b>	<b>(23.419)</b>	<b>(7.774)</b>

<sup>(\*)</sup> The amount represents the net balance after deferred tax calculation.

**ğ. Information on other capital reserves:**

The Bank has evaluated its unmatured sukuk transaction as non monetary item as per TAS 32 which is issued by "Bereket One Ltd" quoted at Ireland Stock Exchange amount to USD 205.000.000 (historical cost is TL 775.720) and compatible with Basel III criteria. In addition to this evaluation, considering BRSA's approval to add it to additional Tier 1 capital dated February 20, 2018, the Bank recognized it in shareholders' equity under "other capital reserves" on historical cost. The settlement date of the sukuk transaction is February 20, 2023 and its yearly cost is 10% with every six-month payment. The Bank has option to cancel the expense amounts. If the Bank uses this option, unpaid amounts will not have to be paid by the Bank for the coming periods.

The coupon payment for the related transaction amounting to TL 112.284 (December 31, 2018: TL 60.051) has been recognized under prior years profit / loss.

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**III. Explanations and notes related to off-balance sheet:**

**1. Explanations on off balance sheet:**

**a. Type and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Commitments for credit card limits	769.342	630.690
Payment commitments for cheques	631.606	537.673
Asset purchase and sale commitments	437.404	476.958
Loan granting commitments	262.517	215.439
Tax and funds liabilities arising from export commitments	10.381	6.906
Commitments for promotions related with credit cards and banking activities	335	332
Other irrevocable commitments	528	387
<b>Total</b>	<b>2.112.113</b>	<b>1.868.385</b>

**b. Type and amount of possible losses and commitments arising from off-balance sheet items:**

**b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:**

	Current Period	Prior Period
Letters of guarantees	8.718.394	8.574.565
Bank loans	14.463	39.338
Letters of credit	1.329.920	1.229.615
Other guaranties and sureties	368.661	202.179
<b>Total</b>	<b>10.431.438</b>	<b>10.045.697</b>

**b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:**

	Current Period	Prior Period
Letters of guarantees	8.718.394	8.574.565
Long standing letters of guarantees	5.448.790	5.149.800
Temporary letters of guarantees	371.560	191.708
Advance letters of guarantees	362.686	369.112
Letters of guarantees given to customs	366.118	252.510
Letters of guarantees given for obtaining cash loans	2.169.240	2.611.435
Sureties and similar transactions	368.661	202.179
<b>Total</b>	<b>9.087.055</b>	<b>8.776.744</b>

**c. Within the Non-cash Loans**

**c.1. Total amount of non-cash loans:**

	Current Period	Prior Period
Non-cash loans given against cash loans	2.169.240	2.611.435
With original maturity of 1 year or less	555.521	917.931
With original maturity of more than 1 year	1.613.719	1.693.504
Other non-cash loans	8.262.198	7.434.262
<b>Total</b>	<b>10.431.438</b>	<b>10.045.697</b>

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**III. Explanations and notes related to off-balance sheet (continued):**

**c.2. Sectoral risk concentration of non-cash loans:**

	Current period			
	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>41.099</b>	<b>0,80</b>	<b>45.800</b>	<b>0,86</b>
Farming and stockbreeding	23.964	0,47	44.801	0,84
Forestry	16.274	0,32	999	0,02
Fishery	861	0,02	-	0,00
<b>Manufacturing</b>	<b>1.266.579</b>	<b>24,70</b>	<b>2.568.269</b>	<b>48,43</b>
Mining	34.091	0,66	38.262	0,72
Production	892.192	17,40	2.186.913	41,24
Electricity, gas and water	340.296	6,64	343.094	6,47
<b>Construction</b>	<b>1.160.560</b>	<b>22,63</b>	<b>688.776</b>	<b>12,99</b>
<b>Services</b>	<b>2.574.523</b>	<b>50,20</b>	<b>1.889.532</b>	<b>35,63</b>
Wholesale and retail trade	1.304.624	25,44	1.076.518	20,30
Hotel, food and beverage services	45.111	0,88	163.865	3,09
Transportation and telecommunication	146.265	2,85	127.457	2,40
Financial Institutions	236.391	4,61	357.093	6,73
Real estate and renting services	533.096	10,39	118.977	2,24
Self-employment services	127.927	2,49	36.258	0,68
Education services	50.922	0,99	541	0,01
Health and social services	130.187	2,54	8.823	0,17
<b>Other</b>	<b>85.741</b>	<b>1,67</b>	<b>110.559</b>	<b>2,08</b>
<b>Total</b>	<b>5.128.502</b>	<b>100,00</b>	<b>5.302.936</b>	<b>100,00</b>
	Prior period			
	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>48.322</b>	<b>1,04</b>	<b>33.389</b>	<b>0,62</b>
Farming and stockbreeding	20.888	0,45	27.688	0,51
Forestry	25.422	0,55	906	0,02
Fishery	2.012	0,04	4.795	0,09
<b>Manufacturing</b>	<b>1.025.981</b>	<b>22,03</b>	<b>2.944.516</b>	<b>54,63</b>
Mining	20.663	0,44	25.039	0,46
Production	650.808	13,98	2.435.225	45,19
Electricity, gas and water	354.510	7,61	484.252	8,98
<b>Construction</b>	<b>1.375.102</b>	<b>29,54</b>	<b>641.315</b>	<b>11,90</b>
<b>Services</b>	<b>2.124.928</b>	<b>45,64</b>	<b>1.682.374</b>	<b>31,21</b>
Wholesale and retail trade	981.935	21,09	763.206	14,16
Hotel, food and beverage services	43.723	0,94	133.179	2,47
Transportation and telecommunication	89.681	1,93	216.910	4,02
Financial Institutions	387.797	8,33	344.956	6,40
Real estate and renting services	406.294	8,73	143.681	2,67
Self-employment services	89.441	1,92	48.699	0,90
Education services	26.275	0,56	489	0,01
Health and social services	99.782	2,14	31.254	0,58
<b>Other</b>	<b>81.502</b>	<b>1,75</b>	<b>88.268</b>	<b>1,64</b>
<b>Total</b>	<b>4.655.835</b>	<b>100,00</b>	<b>5.389.862</b>	<b>100,00</b>

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**III. Explanations and notes related to off-balance sheet (continued):**

**c.3. Information on the non-cash loans classified in Group I and Group II:**

<b>Current Period</b>	<b>I st Group</b>		<b>II nd Group</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-cash loans</b>	<b>4.857.876</b>	<b>5.130.896</b>	<b>231.175</b>	<b>141.699</b>
Letters of guarantee	4.828.965	3.449.486	230.683	139.468
Bank loans	-	14.463	-	-
Letters of credit	257	1.327.432	-	2.231
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	28.654	339.515	492	-

<b>Prior Period</b>	<b>I st Group</b>		<b>II nd Group</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-cash loans</b>	<b>4.255.685</b>	<b>4.354.920</b>	<b>350.505</b>	<b>1.016.629</b>
Letters of guarantee	4.225.529	2.929.525	350.377	1.001.176
Bank loans	-	39.338	-	-
Letters of credit	7.852	1.215.649	128	5.986
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	22.304	170.408	-	9.467

**2. Explanations on derivative transactions:**

	<b>Derivative transactions according to purpose December 31, 2019</b>	<b>Derivative transactions according to purpose December 31, 2018</b>
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>133.090</b>	<b>529.944</b>
Currency Forwards-Purchases, sales	75.187	52.727
Currency Swaps-Purchases, sales	57.903	477.217
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit share Rate Related Derivative Transactions (II)</b>	<b>-</b>	<b>-</b>
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>133.090</b>	<b>529.944</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>133.090</b>	<b>529.944</b>

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**III. Explanations and notes related to off-balance sheet (continued):**

**3. Explanations on contingent assets and liabilities:**

The Bank has made a provision amounting to TL 15.655 (December 31, 2018: TL 4.440), as presented under “Other Provisions” note in Section Five Note II.5.b, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

**4. Explanations on services rendered on behalf of third parties:**

The Bank has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

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**IV. Explanations and notes related to the statement of profit or loss:**

**1. Information on profit share income:**

**a. Information on profit share income received from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans<sup>(*)</sup></b>				
Short Term Loans	519.583	153.434	489.130	75.802
Medium and Long Term Loans	1.564.851 <sup>(**)</sup>	550.248	1.519.924	467.971
Profit Share on Non-Performing Loans	186.228	4.238	97.880	544
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>2.270.662</b>	<b>707.920</b>	<b>2.106.934</b>	<b>544.317</b>

<sup>(\*)</sup> Includes fees and commission income on cash loans.

<sup>(\*\*)</sup> Total TL 189.496 is the accrued profit from profit and loss investments and TL 155.234 of this profit is fair value profit.

**b. Information on profit share income received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	23.076	28.821	18.673	39.884
Domestic Banks	539	1.734	83	1.857
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>23.615</b>	<b>30.555</b>	<b>18.756</b>	<b>41.741</b>

**c. Information on profit share income received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets measured at fair value through profit/loss	540	5.072	384	450
Financial assets measured at fair value through other comprehensive income	105.919	67.568	119.416	27.547
Financial assets measured at amortised cost	82.866	25.715	87.617	-
<b>Total</b>	<b>189.325</b>	<b>98.355</b>	<b>207.417</b>	<b>27.997</b>

**ç. Information on profit share income received from associates and subsidiaries:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit shares income received from associates and subsidiaries	13.849	3.984	16.414	3.571
<b>Total</b>	<b>13.849</b>	<b>3.984</b>	<b>16.414</b>	<b>3.571</b>

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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**2. Explanations on profit share expenses:**

**a. Distribution of profit share expense on funds collected based on maturity of funds collected:**

Current Period		Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year			
TL									
Funds collected from banks through current and profit sharing accounts	89	291	-	-	-	-	-	380	
Real persons' non-trading profit sharing accounts	326.988	564.381	19.969	-	3.685	61.664	1.731	978.418	
Public sector profit sharing accounts	10	28	-	-	-	-	-	38	
Commercial sector profit sharing accounts	40.606	228.752	25.322	-	9.645	18.726	7	323.058	
Other institutions profit sharing accounts	3.322	27.249	1.920	-	1.492	761	-	34.744	
Total	371.015	820.701	47.211	-	14.822	81.151	1.738	1.336.638	
FC									
Banks	3.554	13.640	5.570	-	-	-	-	22.764	
Real persons' non-trading profit sharing accounts	58.252	103.966	7.933	-	633	20.261	11	191.056	
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	
Commercial sector profit sharing accounts	7.613	33.980	1.440	-	179	389	-	43.601	
Other institutions profit sharing accounts	608	3.808	126	-	-	1	-	4.543	
Precious metals deposits	479	2.423	78	-	66	243	1	3.290	
Total	70.506	157.817	15.147	-	878	20.894	12	265.254	
Grand total									
	441.521	978.518	62.358	-	15.700	102.045	1.750	1.601.892	

Prior Period	Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year		
TL								
Funds collected from banks through current and profit sharing accounts	-	58	-	-	-	-	-	58
Real persons' non-trading profit sharing accounts	285.189	500.069	14.847	-	3.496	53.235	1.067	857.903
Public sector profit sharing accounts	16	101	-	-	-	-	-	117
Commercial sector profit sharing accounts	33.204	170.298	6.447	-	1.078	5.813	3	216.843
Other institutions profit sharing accounts	3.831	18.679	1.582	-	143	735	-	24.970
Total	322.240	689.205	22.876	-	4.717	59.783	1.070	1.099.891
FC								
Banks	9.260	13.456	2.252	-	14	-	-	24.982
Real persons' non-trading profit sharing accounts	42.374	85.540	6.476	-	614	17.991	1	152.996
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	5.029	36.210	693	-	481	244	-	42.657
Other institutions profit sharing accounts	1.650	6.210	158	-	-	1	-	8.019
Precious metals deposits	1.168	7.068	346	-	120	561	1	9.264
Total	59.481	148.484	9.925	-	1.229	18.797	2	237.918
Grand total	381.721	837.689	32.801	-	5.946	78.580	1.072	1.337.809

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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**2. Explanations on profit share expenses (continued):**

**b. Information on profit share expense paid to funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2.435	51.888	22.307	93.649
CBRT	-	-	-	-
Domestic banks	-	6.133	-	8.717
Foreign banks	2.435	45.755	22.307	84.932
Head offices and branches abroad	-	-	-	-
Other institutions	476.539	218.580	158.077	278.620
<b>Total</b>	<b>478.974</b>	<b>270.468</b>	<b>180.384</b>	<b>372.269</b>

**c. Profit share expense paid to associates and subsidiaries:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share paid to investments in associates and subsidiaries	466.521	62.095	155.649	122.813
<b>Total</b>	<b>466.521</b>	<b>62.095</b>	<b>155.649</b>	<b>122.813</b>

**ç. Profit share expenses paid to marketable securities issued:**

None (December 31, 2018: None).

**3. The Other Items in Net Fees and Commission Income / Expenses, which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:**

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	76.369	52.460
Clearing room fees and commissions	57.625	39.837
Commissions on money orders	20.362	12.144
Appraisal fees	10.706	9.536
Insurance and brokerage commissions	19.579	12.878
Checks and bills commissions	3.591	3.218
Safe deposit box commissions	2.164	1.992
Advocacy service commissions	4.726	6.152
Service pack commissions	15.171	10.263
Enquiry fees received	3.304	1.112
Fees and commissions from correspondent banks	3.039	1.704
Export credit commissions	3.682	2.089
Prepaid import commissions	13.339	7.954
Other	38.256	17.258
<b>Total</b>	<b>271.913</b>	<b>178.597</b>

Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commissions	13.416	33.459
Credit cards fees and commissions	21.057	13.947
Member firm-POS fees and commissions	28.572	23.084
Fees and commissions for Swift, EFT and money orders	22.088	14.872
Other	10.092	9.235
<b>Total</b>	<b>95.225</b>	<b>94.597</b>



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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**4. Information on dividend income:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	-	-	-	-
Financial Assets Measured at Fair Value through Other	-	-	-	-
Comprehensive Income (FVOCI)	-	-	-	-
Other	-	-	177	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>177</b>	<b>-</b>

**5. Explanations on trading income/loss (net):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Income</b>	<b>11.200.294</b>	<b>12.703.076</b>
Income from capital market transactions	165.191	53.843
Income from derivative financial instruments	88.113	40.751
Foreign exchange income	10.946.990	12.608.482
<b>Loss (-)</b>	<b>10.876.585</b>	<b>12.344.261</b>
Loss on capital market transactions	3.014	4.402
Loss on derivative financial instruments	110.105	66.982
Foreign exchange losses	10.763.466	12.272.877
<b>Trading Income/Loss (net)</b>	<b>323.709</b>	<b>358.815</b>

**6. Explanations related to other operating income:**

	<b>Current Period</b>	<b>Prior Period</b>
Reversal of prior year provisions	456.494	314.306
Income from sale of assets	36.332	28.365
Communication revenue	11.688	7.112
Reversal of vacation pay expenses provision	-	-
Cheque book charges	1.866	1.502
Operating Lease Income	10.005	4.699
Other income	26.699(*)	4.634
<b>Total</b>	<b>543.084</b>	<b>360.618</b>

(\*) The balance includes TL 12.562 income arising from derivative's accounting and subjection to corporate income tax in the prior periods (this amount is deducted from banking and insurance transaction payable tax), TL 1.520 is the income deducted from banking and insurance transaction payable tax related to investment allowances.

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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**7. Informations on Expected Credit Losses:**

	Current Period	Prior Period
<b>Expected Credit Loss</b>	<b>706.313</b>	<b>582.494</b>
12 month expected credit loss (stage 1)	47.570	29.198
Significant increase in credit risk (stage 2)	25.288	130.997
Non-performing loans (stage 3)	633.455	422.299
<b>Marketable Securities Impairment Expense</b>	-	-
Financial Assets Measured at Fair Value through Profit/Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
<b>Impairment Provision for Associates, Subsidiaries and Joint Ventures</b>	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
<b>Other (*)</b>	<b>67.683</b>	<b>25.342</b>
<b>Total</b>	<b>773.996</b>	<b>607.836</b>

Expected credit losses amount to TL 773.996 (December 31, 2018: TL 607.836) includes TL 286.461 (December 31, 2018: TL 201.695) representing participation account share of expected credit losses of loans provided from participation accounts.

(\*) Details of the "other" amount is as follows:

	Current Period	Prior Period
Expected credit losses for 1st and 2nd group non-cash loans	5.276	6.132
Third stage expected loss provision for unindemnified non cash loans	2.330	2.567
Expected credit losses (stage 1) for banks	228	15.973
Profit and loss sharing investments' fair value provision.	59.028	-
Expected credit losses (stage 1) for other financial assets.	-	439
Expected credit losses for financial assets measured at amortized cost	821	231
<b>Total</b>	<b>67.683</b>	<b>25.342</b>

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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**8. Information on other operating expenses:**

	Current Period	Prior Period
Provision for retirement pay liability	10.098	8.632
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	98.993	38.099
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	17.809	18.661
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and assets of discontinued operations	148	210.940
Other business expenses	151.289	218.096
<i>Leasing Expenses on TFRS 16 Exceptions</i>	3.067	-
<i>Operating Lease Expenses</i>	-	89.241
<i>Maintenance and repair expenses</i>	23.186	15.216
<i>Advertisement expenses</i>	13.863	24.204
<i>Other expenses<sup>(*)</sup></i>	111.173	89.435
Loss on sale of assets	1.361	273
Other <sup>(**)</sup>	165.180	127.615
<b>Total</b>	<b>444.878</b>	<b>622.316</b>

*(\*) The details of the "Other Expenses" balance under Other Operating Expenses are as follows:*

	Current Period	Prior Period
Communication Expenses	26.017	17.487
Donations	8.061	10.071
Cleaning expenses	18.029	14.722
Heating, lighting and water expenses	14.569	10.179
Representation and Hosting expenses	9.097	7.865
Vehicle expenses	6.621	6.264
Lawsuit and court expenses	2.962	3.374
Movables Insurance Expenses	4.504	3.290
Stationery Expenses	3.257	2.733
Expense Share for Common Expenses	2.850	2.087
Group transportation costs	5.089	5.449
Other	10.117	5.914
<b>Total</b>	<b>111.173</b>	<b>89.435</b>

*(\*\*) Details of "other" balance are provided as below:*

	Current Period	Prior Period
Saving Deposit Insurance Fund	77.345	45.377
Taxes, Duties, Charges and Funds	48.849	37.954
Expertise and Information Expenses	10.687	8.358
Audit and Consultancy Fees	15.471	21.255
Institution and Union participation share	10.690	6.742
Other	2.138	7.929
<b>Total</b>	<b>165.180</b>	<b>127.615</b>

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**IV. Explanations and notes related to the statement of profit or loss (continued):**

**9. Explanations on income/loss from continued operations before taxes:**

As the Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Bank's income before tax decreased by 52% compared to prior period and is realized as TL 87.293 (December 31, 2018: TL 168.495). Income before tax comprises net profit share income in the amount of TL 823.230 (December 31, 2018: TL 1.019.559) and fees and commission income in the amount of TL 299.829 (December 31, 2018: TL 198.153). Total other operating expenses amount to TL 444.878 (December 31, 2018: TL 622.316).

**10. Explanations on tax provision for continued and discontinued operations:**

Since the Bank has no discontinued operations, there is no tax provision for this purpose.

As of December 31, 2019, the Bank has deferred tax income amounts to TL 201.397 (December 31, 2018: 139.898) and deferred tax expense amounts to TL 220.539 (December 31, 2018: TL 171.354). Current tax provision is TL 4.722 (December 31, 2018: TL 3.071).

**11. Explanations on net income/loss from continued and discontinued operations:**

The Bank has no discontinued operations. Net income for the period has been realized as TL 87.293 (December 31, 2018: TL 168.495) by deducting tax provision expense amounting to TL 23.864 (December 31, 2018: TL 34.527) from profit from continued operations amounting to TL 63.429 (December 31, 2018: TL 133.968).

**12. Explanations on net income/loss:**

- a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:**

None.

- b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:**

None.

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**V. Explanations and notes related to the statement of changes in shareholders' equity:**

- a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.
- Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.
- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets measured at fair value through other comprehensive income are recognized in the "Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 91.345 increase (before deferred tax) has occurred after the revaluation of financial assets measured at fair value through other comprehensive income (December 31, 2018: TL 15.778 decrease).
- c) Revaluation amounts related to tangible and intangible assets are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves amounts to TL 15.949 as increase. (December 31, 2018: TL 36.000 increase).

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**VI. Explanations and notes related to the statement of cash flows:**

**1. Components of cash and cash equivalents and accounting policy applied in their determination:**

“Cash” is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. “Cash equivalents” is defined as money market placements and time deposits at banks with original maturities less than three months.

**(a) Cash and cash equivalents at the beginning of the period:**

	<b>Current Period</b>	<b>Pior Period</b>
<b>Cash</b>	<b>2.692.092</b>	<b>2.001.123</b>
Cash in TL/foreign currency	823.466	365.436
Cash in transit	831.066	863.141
CBRT	1.037.560	772.546
<b>Cash equivalents</b>	<b>4.416.479</b>	<b>888.600</b>
Domestic banks	3.458.942	342.727
Foreign banks	957.537	545.873
<b>Total cash and cash equivalents</b>	<b>7.108.571</b>	<b>2.889.723</b>

**(b) Cash and cash equivalents at the end of the period:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>4.027.884</b>	<b>2.692.092</b>
Cash in TL/foreign currency	1.022.107	823.466
Cash in transit	558.717	831.066
CBRT	2.447.060	1.037.560
<b>Cash equivalents</b>	<b>3.154.582</b>	<b>4.416.479</b>
Domestic banks	910.035	3.458.942
Foreign banks	2.244.547	957.537
<b>Total cash and cash equivalents</b>	<b>7.182.466</b>	<b>7.108.571</b>

**2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:**

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

**3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:**

The “Others” item under “Operating profit before changes in operating assets and liabilities” amounting to TL 175.506 (December 31, 2018: TL 820.687) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 366.892 (December 31, 2018: TL 483.446) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 235.821 as of December 31, 2018 (December 31, 2018: TL 290.406).

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**VII. Explanations related to the risk group of the Bank:**

**1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:**

**a. Current period:**

Risk Group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans</b>						
Balance at the beginning of the period	1	5	173.457	32.410	19	-
Balance at the end of the period	53	5	632.926	27.308	27	-
<b>Profit share and commission income received</b>	-	-	<b>10.157</b>	<b>195</b>	-	-

**b. Prior period:**

Risk Group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	118.658	22.039	106	-
Balance at end of period	1	5	173.457	32.410	19	-
<b>Profit share and commission income received</b>	-	-	<b>7.288</b>	<b>66</b>	-	-

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

**c.1. Information on current and profit sharing accounts of the Bank's risk group:**

Risk Group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	21.495	15.395	604.631	602.289	7.106	4.801
Balance at the end of period	20.935	21.495	831.442	604.631	11.073	7.106
<b>Profit share expense</b>	<b>2.380</b>	<b>1.017</b>	<b>8.859</b>	<b>5.542</b>	<b>381</b>	<b>234</b>

<sup>(\*)</sup> As of December 31, 2019 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 34.002.557 and EUR 65.082.069 (December 31, 2018: USD 31.856.532 and EUR 122.404.261). The profit share expense relating to such borrowings for the period between January 1, 2019 – December 31, 2019 is TL 12.346 (December 31, 2018: TL 19.406). The Bank has issued Sukuk in the amount of TL 2.690.000 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Bank. The total expenses for the related issues are TL 526.768 as of December 31, 2019 (Includes also USD 350.000.000 of which the principal was paid and paid off in June 2019) (December 31, 2018: TL 277.503).

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**VII. Explanations related to the risk group of the Bank (continued):**

USD 155 million of the additional Tier I capital amounting to USD 205 million, which was realized on February 20, 2018, belongs to Albaraka Banking Group, the main shareholder of the company. The related amount is accounted under other capital reserves in the financial statements.

**c.2. Information on forward and option agreements and other similar agreements with related parties:**

The Bank does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2019, the Bank has paid TL 16.429 (December 31, 2018: TL 18.155) to top management.

**VIII. Explanations related to domestic, foreign and offshore branches or investments and foreign representative offices:**

**1. Information on the domestic and foreign branches and representative offices of the Bank:**

	Number	Number of Personnel			
Domestic Branches	228	3.771			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	2	20	Irak	656.918	30.510.625.954 Iraqi Dinar
Off-Shore Branches	-	-	-	-	-

**2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:**

The Bank has opened 1 domestic branch and 1 foreign branch, has closed 2 domestic branches in 2019 in different regions.

**IX. Explanations related to subsequent events:**

None.

**X. Other Explanations**

**Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:**

None.



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**SECTION SIX**

**Independent Auditors' report**

**I. Explanations on independent audit report:**

The Bank's unconsolidated financial statements as of and for the period ended December 31, 2019 have been audited by "Gney Baėımsız Denetim ve Serbest Muhasebeci Mali Mavirlik A.." (the member of the Ernst & Young Global Ltd.) and the audit report dated December 31, 2019 is presented at the beginning of the financial statements and related notes.

**II. Other notes and explanations prepared by the independent auditors:**

None.