Alternatifbank Anonim Şirketi
and Its Subsidiaries

Consolidated Financial Statements
As at and for the Year Ended
31 December 2019
With Independent Auditors' Report

Alternatifbank Anonim Şirketi and Its Subsidiaries

Table of contents:

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INDEPENDENT AUDITORS' REPORT

To the General Assembly of Alternatifbank A.Ş.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of IFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote 10 the Group measured expected credit losses for financial assets in accordance with IFRS 9 "Financial Instruments Standards" in its financial statements. The reasons for selecting impairment of financial assets as key audit matter are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The application of IFRS 9 is complex and comprehensive ▪ The classification of financial instruments based on the Group's business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of significant judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for IFRS 9 ▪ Estimations and assumptions used in expected credit losses are significant and complex ▪ Complex and comprehensive disclosure requirements of IFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Group's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to IFRS 9.

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Other Matter

The consolidated financial statements of the Group as at 31 December 2018 were audited by another audit firm, which expressed an unqualified opinion in their report issued on 15 May 2019.

Responsibilities of Management and Board of Directors for the consolidated financial statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Director'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

T.C. BAĞIMSIZ DENETÇİ 1082

Yaşar Bivas, SMMM
Partner

September 29, 2020
İstanbul, Turkey

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

	Notes	**Audited 31 December 2019**	**Audited 31 December 2018**
ASSETS			
Cash and balances with the Central Bank of Turkey	6	2,686,424	2,212,051
Loans and advances to banks	7	3,051,069	1,435,480
Financial assets at fair value through profit or loss	8	14,444	42,048
Derivative financial assets	9	188,997	194,612
Loans and advances to customers	10	17,229,625	15,336,120
Investment securities	11	3,967,217	3,434,768
- Investment securities at fair value through other comprehensive income ("FVOCI")	*11*	*235,254*	*8,144*
- Investment securities at amortised cost ("AC")	*11*	*3,731,963*	*3,426,624*
Leasing receivables		1,428,206	1,891,972
Intangible assets	12	109,312	100,880
Property and equipment	13	350,790	283,361
Deferred income tax assets	19	137,513	172,895
Assets held for sale	20	321,735	186,675
Other assets	14	461,352	430,188
Total assets		**29,946,684**	**25,721,050**
LIABILITIES			
Deposits from banks	15	240,640	838,850
Due to customers	16	15,831,669	13,465,429
Funds borrowed	17	7,761,584	4,870,527
Debt securities issued	18	771,622	1,896,633
Derivative financial instruments	9	179,920	174,120
Derivatives held for risk management	9	14,119	4,023
Provisions	21	92,201	92,132
Retirement benefit obligations	22	8,850	8,705
Lease payables		50,370	-
Other liabilities	23	461,496	803,549
Subordinated liabilities	17	2,096,143	1,863,654
Total liabilities		**27,508,614**	**24,017,622**
EQUITY			
Share capital	24	1,730,655	1,167,000
Share premium	24	54	54
Fair value reserves	25	(38,159)	(52,783)
Hedge reserves		(7,930)	(3,884)
Revaluation surplus		27,782	27,782
Legal reserves	25	46,650	34,143
Other reserves	25	299,969	289,095
Retained earnings	25	379,032	242,005
Total equity attributable to owners of the Bank		**2,438,053**	**1,703,412**
Non-controlling interests		17	16
Total equity		**2,438,070**	**1,703,428**
Total liabilities and equity		**29,946,684**	**25,721,050**

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated).

	Note	Audited 31 December 2019	Audited 31 December 2018
Interest income	26	2,836,727	2,409,807
Interest expense	26	(2,220,758)	(1,867,567)
Net interest income		**615,969**	**542,240**
Fee and commission income	27	166,406	96,396
Fee and commission expense	27	(16,234)	(28,439)
Net fee and commission income		**150,172**	**67,957**
Foreign exchange gains and losses, net		187,174	175,022
Trading gains and losses, net	28	1,580	(24,209)
Gains/losses from investment securities, net		(4,092)	(16,683)
Total operating income		**950,803**	**744,327**
Impairment losses on loans and credit related commitments, net	29	(330,513)	(161,770)
Other operating expenses	29	(381,138)	(343,869)
Total operating expense		**(711,651)**	**(505,639)**
Profit before income tax		**239,152**	**238,688**
Tax expense	19	(45,494)	(33,790)
Profit for the year		**193,658**	**204,898**
Profit attributable to:			
Equity holders of the Bank		193,657	204,897
Non-controlling interest		1	1
		193,658	**204,898**
Earnings per share			
Basic earnings per share attributable to the equity holders of the Bank (expressed in TL per thousand share)	2.28	0.1273	0.1774

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
Profit for the year		**193,658**	**204,898**
Items that will not be reclassified to profit or loss		**(362)**	**28,657**
Remeasurements of defined benefit liability	22	(442)	1,094
Property and Plant Revaluation Differences		-	27,782
Related tax		80	(219)
Items that are or may be reclassified subsequently to profit or loss:		**10,578**	**6,585**
Changes in the fair value of debt instruments at fair value through OCI		17,140	23,672
Net change in financial assets at fair value through other comprehensive income		-	-
Gain/(Loss) from cash flow hedges		(5,188)	(3,884)
Related tax		(1,374)	(13,203)
Other comprehensive income, net of tax		**10,216**	**35,242**
Total comprehensive income		**203,874**	**240,140**
Total comprehensive income attributable to			
Equity holders of the Bank		203,873	240,139
Non-controlling interests		1	1
Total comprehensive income		**203,874**	**240,140**

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

		Attributable to equity holders of the Bank										
					Items that will not be reclassified to profit or loss	Items that are or may be reclassified subsequently to profit or loss						
	Note	**Share Capital**	**Share Premium**	**Legal Reserves**	**Revaluation Surplus**	**Hedge Reserves**	**Fair Value Reserves**	**Other Reserves**	**Retained Earnings**	**Total**	**Non-controlling Interest**	**Total Equity**
Balance at 1 January 2018		**980,000**	**54**	**30,102**	**-**	**-**	**(108,651)**	**270,973**	**460,841**	**1,633,319**	**15**	**1,633,334**
Impact of adopting IFRS 9 at 1 January 2018		-	-	-	-	-	45,399	-	(398,329)	**(352,930)**	-	**(352,930)**
Corrections Made According to IAS 8		-	-	-	-	-	-	(6,778)	6,778	-	-	-
Restated balances at 1 January 2018		**980,000**	**54**	**30,102**	**-**	**-**	**(63,252)**	**264,195**	**69,290**	**1,280,389**	**15**	**1,280,404**
Total comprehensive income for the year												
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**204,897**	**204,897**	**1**	**204,898**
Other comprehensive income												
Net change in fair value of debt instruments measured at FVOCI		-	-	-	-	-	10,469	-	-	10,469	-	10,469
Cash flow hedges		-	-	-	-	(3,884)	-	-	-	(3,884)	-	(3,884)
Net change on revaluation surplus		-	-	-	27,782	-	-	-	-	27,782	-	27,782
Remeasurements of defined benefit liability		-	-	-	-	-	-	-	875	875	-	875
Total other comprehensive income		**-**	**-**	**-**	**27,782**	**(3,884)**	**10,469**	**-**	**875**	**35,242**	**-**	**35,242**
Total comprehensive income for the year		**-**	**-**	**-**	**27,782**	**(3,884)**	**10,469**	**-**	**205,772**	**240,139**	**1**	**240,140**
Contributions by and distributions to owners												
Transfer to legal reserves		-	-	4,041	-	-	-	-	(4,041)	-	-	-
Capital Increase	24	187,000	-	-	-	-	-	-	-	187,000	-	187,000
Other		-	-	-	-	-	-	24,900	(29,016)	(4,116)	-	(4,116)
Balance at 31 December 2018	**24**	**1,167,000**	**54**	**34,143**	**27,782**	**(3,884)**	**(52,783)**	**289,095**	**242,005**	**1,703,412**	**16**	**1,703,428**
Balance at 1 January 2019	24	**1,167,000**	**54**	**34,143**	**27,782**	**(3,884)**	**(52,783)**	**289,095**	**242,005**	**1,703,412**	**16**	**1,703,428**
Corrections Made According to IAS 8		-	-	-	-	-	-	-	-	-	-	-
Balances at 1 January 2019		**1,167,000**	**54**	**34,143**	**27,782**	**(3,884)**	**(52,783)**	**289,095**	**242,005**	**1,703,412**	**16**	**1,703,428**
Total comprehensive income for the year												
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**193,657**	**193,657**	**1**	**193,658**
Other comprehensive income												
Net change in fair value of debt instruments measured at FVOCI		-	-	-	-	-	14,624	-	-	14,624	-	14,624
Cash flow hedges		-	-	-	-	(4,046)	-	-	-	(4,046)	-	(4,046)
Net change on revaluation surplus		-	-	-	-	-	-	-	-	-	-	-
Remeasurements gain/loss on defined benefit liability		-	-	-	-	-	-	-	(362)	(362)	-	(362)
Total other comprehensive income		**-**	**-**	**-**	**-**	**(4,046)**	**14,624**	**-**	**(362)**	**10,216**	**-**	**10,216**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(4,046)**	**14,624**	**-**	**193,295**	**203,873**	**1**	**203,874**
Contributions by and distributions to owners												
Transfer to legal reserves		-	-	12,507	-	-	-	-	(12,507)	-	-	-
Capital Increase	24	563,655	-	-	-	-	-	-	-	563,655	-	563,655
Other (*)		-	-	-	-	-	-	10,874	(43,761)	(32,887)	-	(32,887)
Balance at 31 December 2019	**24**	**1,730,655**	**54**	**46,650**	**27,782**	**(7,930)**	**(38,159)**	**299,969**	**379,032**	**2,438,053**	**17**	**2,438,070**

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

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2019

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

	Note	Audited 1 January- 31 December 2019	Audited 1 January - 31 December 2018
Cash flows from operating activities			
Interest received		2,820,117	2,288,243
Interest paid		(2,099,672)	(1,794,437)
Fees and commissions received		163,522	94,255
Trading income		188,754	150,813
Recoveries of loans previously impaired	10	215,892	175,229
Fees and commissions paid	27	(16,234)	(28,439)
Cash payments to employees and other parties		(213,545)	(169,580)
Cash received from other operating activities		29,758	291,473
Cash paid for other operating activities		(347,450)	(2,111,651)
Taxes paid		(127,256)	(58,726)
Cash flows from operating profits before changes in operating assets and liabilities		**613,886**	**(1,162,820)**
Changes in operating assets and liabilities:			
Trading securities		32,461	(18,885)
Loans and advances		(1,534,881)	(1,871,882)
Other assets		(504,599)	446,520
Deposits from other banks		(4,700)	(364,177)
Deposits		1,465,361	2,657,288
Other money market deposits		(593,933)	62,380
Other liabilities		(309,414)	584,499
Net cash from operating activities		**(835,819)**	**332,923**
Cash flows from investing activities			
Purchases of financial assets at fair value through other comprehensive income securities		(418,404)	-
Proceeds from sale and redemption of investment securities through OCI		219,624	-
Purchases of investment securities at Amortized Cost		-	-
Redemption of investment securities at Amortized Cost		56,866	-
Purchases of premises and equipment		(57,641)	(245,165)
Proceeds from sale property and equipment		6,361	10,077
Purchase of intangible assets, net		(8,432)	(8,469)
Net cash used in investing activities		**(201,626)**	**(243,557)**
Cash flows from financing activities			
Proceeds from funds borrowed	17	6,224,500	2,905,463
Payments for funds borrowed	17	(3,389,016)	(2,349,197)
Proceeds from bond issue		762,950	1,465,445
Payments for bonds issued		(1,862,716)	(235,715)
Share capital increase	23	563,655	187,000
Payments of finance lease liabilities		(24,177)	-
Net cash from financing activities		**2,275,196**	**1,972,996**
Net increase in cash and cash equivalents		**1,237,751**	**2,062,362**
Effects of foreign exchange-rate changes on cash and cash equivalents		387,240	(670,738)
Cash and cash equivalents at beginning of the year	**5**	**2,864,730**	**1,473,106**
Cash and cash equivalents at end of the year	**5**	**4,489,721**	**2,864,730**

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

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

NOTE 1 - GENERAL INFORMATION

Alternatifbank A.Ş. ("the Bank" or "the Parent Bank"), was established in Istanbul on 6 November 1991 and started Banking activities on February 1992. The Bank's ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995.

The sale of the shares of the Bank belonging to Anadolu Group companies to The Commercial Bank (P.S.Q.C.) has been finalised on 18 July 2013 and the share transfer has been registered in accordance with the Board of Directors meeting at the same date.

The Bank made an application to Capital Market Boards of Turkey (CMB) and Borsa İstanbul A.Ş. about to delisting from the stock-exchange quotation in accordance with clauses of Capital Market Board "Squeeze-out and Sell-out Rights Communiqué" on 11 July 2014. "Capital Issue Document" prepared for the capital increase allocated to controlling shareholder Commercial Bank of Qatar in the context of the process of squeeze-out and sell-out rights from the minority in accordance with "Squeeze-out and Sell-out Rights Communiqué" has been approved by Capital Market Board on 23 July 2015. As of this date, Alternatifbank A.Ş. is not quoted to stock-exchange.

In March 2018, the Bank has changed its brand name, formerly known as ABank, to Alternatif Bank. As of 31 December 2019, The shareholder structure of the Bank is as follows:

	31 December 2019		31 December 2018	
Name of Shareholders	**Paid in capital**	**%**	**Paid in capital**	**%**
The Commercial Bank (P.S.Q.C.)	1,730,655	100	1,167,000	100
Total	**1,730,655**	**100**	**1,167,000**	**100**

The registered office address of the Bank is at Ayazağa Mah. Cendere Cad. No: 109 M 2D Blok 34485 Sarıyer/İstanbul.

The consolidated financial statements of the Group were authorized for issue by the Management of the Bank on 29 September 2020. The General Assembly has the power to amend the consolidated financial statements after its issue.

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking, leasing and portfolio management conducted mainly with local customers.

The Bank provides banking services through 48 branches (31 December 2018: 49) in Turkey. At 31 December 2019, the Group has 952 employees (31 December 2018: 1,021).

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

NOTE 1 - GENERAL INFORMATION (Continued)

The subsidiaries and the Bank's shareholding interest as at 31 December 2019 and 31 December 2018 are as follows:

	Place of Incorporation	Effective shareholding (%) 31 December 2019	Effective shareholding (%) 31 December 2018
Alternatif Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100.00	100.00
Alternatif Finansal Kiralama A.Ş.	Istanbul/Turkey	99.99	99.99

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), regulations promulgated by the Capital Markets Board of Turkey and also the Turkish Commercial Code.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit and loss, investment securities at fair value through other comprehensive income, derivative financial instruments and headquarter building that have been measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The Group has started to apply IFRS 9 Financial Instruments ("IFRS 9") published by in the accompanying consolidated financial statements starting from 1 January 2018 for the first time based in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from 1 January 2018.

As of 1 January 2019, operating leases within the framework of the "IFRS 16 Leases" standard are recognised in a similar manner to financial leases. During transition by the Parent Bank and the companies in scope of the consolidation, simplified application was preferred and in this context, comparative information has not been restated in the consolidated financial statements. According to the standard, the lease agreements are examined; their components, the lease periods and the amounts are evaluated by categories, by taking the exceptions and similar items into account.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements (Continued)

For the contracts considered within the scope of IFRS 16, at the initial application date and / or at the time of signing the contract, the leasing liability and the right to use asset are reflected in the financial statements. The direct costs incurred by the lessee in the beginning were evaluated, it is concluded that amounts are insignificant, initial costs are not included in the right of use asset. In accordance with IFRS 16, the right of use asset can be measured with its cost or fair value, and the Group measures the right of use assets with its cost. The net lease liability is calculated by discounting the future lease payments by the use of the Bank or alternative borrowing interest rates at the date of initial application or contract date.

Fixed assets which are recognised as right of use asset are subject to straight-line depreciation considering the lease period. Interest expenses related to the lease liabilities and foreign exchange differences are associated with statement of income.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation

These consolidated financial statements are presented in Turkish Lira (“TL”), which is the Bank’s functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries, as of 31 December 2019 and 31 December 2018.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The Bank also consolidates a subsidiary in which it has less than 50% shareholding since it has power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

The equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position and statement of profit or loss, respectively.

All intra-group balances, transactions and unrealized gains on intra-group transactions are eliminated including inter-company profits and unrealized profits and losses. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2.3 Use of Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in related accounting policies (Note 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The consolidated financial statements are presented in Turkish Lira (“TL”), which is the Group’s functional and the presentation currency.

2.5 Foreign Currency Transactions and Translation

Transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

2.6 Due from Banks

Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

2.7 Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and fixtures and motor vehicles	3 years to 15 years
Office equipment	5 years
Leasehold improvements	5 years, or over the period of the lease if less than 5 years
Buildings	50 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset’s fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Goodwill

The acquisition method of accounting is used for acquired businesses. The acquisition method of accounting includes allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Group has TL 49,017 goodwill (31 December 2018: TL 49,017). If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in the income statement as a bargain purchase gain. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units.

2.9 Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Patents and licenses were amortized over their useful economic lives of 15 years. Software and development costs for software were amortized over their useful economic lives of 3 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets

The Group categorizes its financial assets as “Fair Value through Profit/Loss”, “Fair Value through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to IFRS 9 Financial Instruments. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value through Profit or Loss”, transaction costs are added to fair value or deducted from fair value.

The Group recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interests that were previously recorded in the financial statements.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit/loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that 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 interest 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 re-measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

Valuation of such assets is based on its fair value. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income reflected and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Financial Assets Measured at Amortized Cost

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

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

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

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

Derivative Financial Assets

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Derivative Financial Assets (Continued)

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

Loans

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ("repos"), are recognized in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method. Securities sold subject to repurchase agreements ("repos") are reclassified in the financial statements as loaned securities when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability for amounts received under these agreements is included in deposits from banks.

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ("reverse repos") are not recognized in the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Netting off Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its statement of financial position when and only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of Financial Assets

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

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

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

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

In the calculation of expected credit loss, the Group includes the prospective macroeconomic information in to the credit risk parameters. In this context, economic models based on the relationship of credit risk parameters with macroeconomic variables are established based on multi-scenario, and the models mainly take into account the basic macroeconomic variables such as Gross Domestic Product (GDP) and Unemployment Rates. The efficiency and adequacy of the models used in the calculation of credit losses are reviewed at regular intervals. Financial assets included in IFRS 9, is divided into three stages according to the change in loan quality after initial recognition and the expected credit loss is calculated according to the stage:

- Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.
- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. For these assets, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

Definition of Default:

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

Considered as a significant increase in credit risk:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with the Central Bank of Republic of Turkey, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

2.13 Financial Liabilities

Financial liabilities including deposits from banks, due to customers and other borrowed funds are recognised initially at cost. Subsequently, financial liabilities are stated at amortised cost, including transaction costs, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

2.14 Employee Benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("IAS 19") and are classified under "Reserve for Employee Rights" account in the statement of financial position.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the IAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013.

Defined Contribution Plans

For defined contribution plans the Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share Capital

Share capital is recognized at the nominal amount and amounts received in excess of the par value are recognized in share premium account. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction.

2.17 Leases

The Group as the lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

The Group as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

The Group as the lessor

Finance leases

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

Operating leases

Assets leased out under operating leases are included in investment property in the consolidated financial statements. They are depreciated over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised in the profit or loss on a straight-line basis over the lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Income and Expense Recognition

Interest income and expense are recognized in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized over the period service is provided. Fee for bank transfers and other banking transaction services are recorded as income when collected. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the "Effective interest rate method".

2.19 Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

In Turkey, the corporate tax rate is 20% since 1 January 2006. With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette dated 5 December 2017, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20%.

Income taxes currently payable

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Taxes other than on income are recorded within operating expenses (Note 28).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Income Tax (Continued)

Deferred taxes

Deferred tax is recognized, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted, or substantively enacted, at the reporting date are used to determine deferred income tax. The principal temporary differences arise from measurement of financial assets and liabilities at fair value, loan loss provisions and provision for employment termination benefits.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised (Note 19).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes related to the same taxable entity and the same taxation authority.

Income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

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

2.20 Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Derivative Financial Instruments (Continued)

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the forward rates discounted to the reporting date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and re-pricing date are used. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not itself carried at fair value through profit or loss;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

Derivatives held for risk management purposes and hedge accounting

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

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

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

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

The Bank applies cash flow hedge accounting using interest rate swaps to hedge its TL deposits with short term cyclical basis. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in IAS 39, in financial statements under equity "Hedging reserves", whereas the amount concerning ineffective part is associated with income statement.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Derivative Financial Instruments (Continued)

Derivatives held for risk management purposes and hedge accounting (Continued)

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

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

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

(*) The sum of buy and sell legs of the transactions.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged items are realized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are treated as contingent assets or liabilities.

2.22 Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the statement of financial position, since such items are not treated as assets of the Group.

2.23 Other credit related commitments

In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as originated loans. Specific provisions are therefore established when losses are considered probable and recorded as other provisions. The provision for credit related commitments also covers losses from the collective assessment where the commitments are grouped using the internal models developed by the Group stemming from the classification of credit related commitments into risk rating classes based on the observation of a series of parameters related to the borrower and/or to the utilisation of the loan.

2.24 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments (Note 31).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Related Parties

For the purpose of these consolidated financial statements, shareholders, companies controlled by or affiliated with them and other companies within the shareholders are considered and referred to as related parties (Note 32).

2.26 Explanations on Accounting Policies, Changes in Accounting Estimates and Errors Standard

Except for IFRS 16 changes which was mentioned in 2.1, the Group does not have any other changes in accounting policies in the current year.

2.27 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2019.

The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:

IFRS 16 Leases

The IASB has published a new standard, "IFRS 16 Leases". The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes "IAS 17 Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognize an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The implementation of this amendment to IFRS 16 impact reflected of the financial statements of the Bank.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to "IAS 28 Investments in Associates and Joint Ventures". In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. "IFRS 9 Financial Instruments" excludes interests in associates and joint ventures accounted for in accordance with "IAS 28 Investments in Associates and Joint Ventures". In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. The amendments did not have a significant impact on the financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances. The interpretations did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs: - "IFRS 3 Business Combinations" and "IFRS 11 Joint Arrangements" — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. - "IAS 12 Income Taxes" — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognize in profit or loss, regardless of how the tax arises. - "IAS 23 Borrowing Costs" — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendments did not have a significant impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to "IAS 19 Plan Amendment, Curtailment or Settlement" to harmonize accounting practices and to provide more relevant information for decision making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. The amendments did not have a significant impact on the financial position or performance of the Group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to "IFRS 9 Financial Instruments" to enable companies to measure some pre payable financial assets at amortized cost. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortized cost some pre payable financial assets with so-called negative compensation. The amendments did not have a significant impact on the financial position or performance of the Group. Standards issued but not yet effective and not early adopted Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective. The Group considers that new standards, interpretations and amendments would not have a significant impact on Group's financial position. The Group is in the process of assessing the impact of that new standards, interpretations and amendments on financial position or performance of the Group.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The amendments did not have a significant impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in "IFRS 3 Business Combinations". The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: • clarify the minimum requirements for a business; • remove the assessment of whether market participants are capable of replacing any missing elements; • add guidance to help entities assess whether an acquired process is substantive; • narrow the definitions of a business and of outputs; and • introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to "IAS 1 Presentation of Financial Statements" and "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for four fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective assessments
- Retrospective assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020, the IASB issued amendments to "IAS 1 Presentation of Financial Statements". The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors". Early application is permitted.

2.28 Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

	31 December 2019	**31 December 2018**
Profit attributable to equity holders of the Bank	193,658	204,898
Weighted average number of ordinary shares in issue (thousand)(*)	1,520,749	1,154,935
Basic earnings and diluted per thousand share (expressed in full TL)	**0.1273**	**0.1774**

The Bank do not have diluted shares.

(*)Earnings per share disclosed in the consolidated statement of profit or loss are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- **Notes 2.11** -Impairment of financial assets;
- **Note 4 (H)-**determination of the fair value of financial instruments with significant unobservable inputs;
- **Note 12-**impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and
- **Note 19-**recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- **Note 21-**measurement of defined benefit obligations: key actuarial assumptions;

NOTE 4 - FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

To maintain and improve the soundness of its operations, the Bank accords top management priority to upgrading its risk management systems and capabilities.

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital. In this connection, each business line is geared to design appropriate cost-benefit schedule to maximize its return expectation with minimum cost of capital.

The Bank's Risk Management Policy covers market, structural interest rate, credit, operational and liquidity risks management.

The risk management governance at the Bank starts with the Board of Directors. The Bank Risk Committee, Asset Liability Committee (ALCO), Credit Risk Committee (CRC), Management Risk Committee (MRC), Operational Risk Committee (ORC) and the Risk Management Department are the most important bodies of the risk management structure.

The Board of Directors determines the general risk policy and the risk appetite of the Bank. The Bank Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its quarterly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting bi-weekly, is responsible for monitoring and managing any structural asset liability mismatch of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange rate risk. The CRC meets quarterly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The MRC is responsible for implementing risk policies regarding both the trading book and the investment book and establishing relevant control systems. In addition, it defines certain limits and regularly reviews these in order to limit and minimize the potential adverse effects of market conditions on the Bank's profitability and economic value. The ORC also meets quarterly and is responsible for reviewing the Bank's operational risks and defining the necessary actions to be taken to minimize these risks.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk

Credit risk is defined as the potential loss arising from a borrower's inability to meet its financial obligations to the Bank. Credit risk is the risk of highest concern due to its large presence on the statement of financial position. Consequently, the Bank's credit risk management framework was designed in a manner to ensure that non-performing loans are kept as low as possible. In order to keep the quality of the Bank's credit portfolio at a predefined level, the credit portfolio is regularly analysed and reported in terms of economic sectors, large exposures, rating distribution, collateral structure, non-performing loans amount, and other various aspects. In measuring credit risk, the Bank estimates the probability of default and the potential size of loss in the event of such default. Probability of default is generated by the Bank's internal rating tool and outputs for potential size of loss are derived from assessments of collateral quality and recovery rates. This grading process draws upon a scorecard containing quantitative and qualitative measures and the expertise of the Bank's credit officers. The validation and on-going monitoring of the grading models are the responsibilities of the Risk Management Department and depending on validation results models are continuously reviewed and improved if necessary.

Credit quality per class of financial assets is as follows;

a. Information on types of loans and allowance for impairment:

31 December 2019	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	11,210,700	3,710,711	223,204	25,173	15,169,788
Loans under Close Monitoring	2,125,698	866,449	22,681	2,945	3,017,773
Non-performing Loans	693,014	357,539	14,691	1,243	1,066,487
Allowance for impairment (-)	424,153	162,721	8,304	1,039	596,217
Total(*)	**13,605,259**	**4,771,978**	**252,272**	**28,322**	**18,657,831**

(*) Net leasing receivables for 31 December 2019 amounting to TL 1,428,206 are included.

31 December 2018	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	9,744,462	4,680,339	266,531	21,204	14,712,536
Loans under Close Monitoring	2,105,536	593,780	26,530	2,177	2,728,023
Non-performing Loans	402,351	398,508	17,697	640	819,196
Allowance for impairment (-)	790,031	232,185	8,886	561	1,031,663
Total(*)	**11,462,318**	**5,440,442**	**301,872**	**23,460**	**17,228,092**

(*) Net leasing receivables for 31 December 2018 amounting to TL 1,891,972 are included

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

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

To determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", international rating firm Japan Credit Rating Agency (JCR) is started to be used as a result of rotation with 31 October 2016 instead of Fitch Ratings` external risk ratings which had been used since 31 December 2012.

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

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

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

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

d. Information on rating concentration:

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

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

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

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

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledge on vehicles.

31 December 2019	Corporate	SME	Consumer	Credit Card	Total
Loans under Close Monitoring	3,264,488	1,110,844	5,082	1,300	4,381,714
Non Performing Loans	626,720	395,985	13,089	1,243	1,037,037
Total	**3,891,208**	**1,506,829**	**18,171**	**2,543**	**5,418,751**

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

f. Concentration of credit risk based on geographical regions:

	Turkey	EU	Other	Total
Cash and balances with the Central Bank of Turkey	2,686,424	-	-	2,686,424
Loans and advances to banks	2,837,529	67,129	146,411	3,051,069
Financial assets at fair value through profit or loss	14,444	-	-	14,444
Derivative financial instruments	107,859	60,532	20,606	188,997
Loans and advances to customers, net	17,224,227	2,618	2,780	17,229,625
- Corporate	12,264,054	2,618	2,780	12,269,452
- SME	4,771,533	-	-	4,771,533
- Consumer	160,318	-	-	160,318
- Credit card	28,322	-	-	28,322
Investment securities	3,967,217	-	-	3,967,217
- Investment securities at fair value through other comprehensive income	235,254	-	-	235,254
- Investment securities at amortised cost	3,731,963	-	-	3,731,963
Leasing receivables	1,428,206	-	-	1,428,206
Intangible assets	109,312	-	-	109,312
Property and equipment	350,790	-	-	350,790
Deferred income tax assets	137,513	-	-	137,513
Asset held for sale	321,735			321,735
Other assets	461,352	-	-	461,352
As of 31 December 2019	**29,646,608**	**130,279**	**169,797**	**29,946,684**
As of 31 December 2018	**25,360,838**	**188,981**	**171,231**	**25,721,050**

	Turkey	EU	Other	Total
Letter of guarantees	6,170,521	40	18,087	6,188,648
Letter of credits	603,651	16,913	59,106	679,670
Acceptance credits	18,379	-	-	18,379
Other commitments and contingencies	529,984	41,605	139,886	711,475
As of 31 December 2019	**7,322,535**	**58,558**	**217,079**	**7,598,172**
As of 31 December 2018	**5,702,505**	**196,614**	**398,388**	**6,297,507**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

g. Sectoral concentration:

	31 December 2019		31 December 2018	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Agricultural	**260,094**	**64,531**	**129,562**	**16,016**
Farming and raising livestock	232,821	64,184	70,987	15,711
Forestry	1,680	301	3,716	102
Fishery	25,593	46	54,859	203
Manufacturing	**6,386,570**	**3,352,978**	**4,624,460**	**2,600,850**
Mining	253,136	204,196	156,178	206,303
Production	5,103,154	2,992,136	3,611,908	2,282,209
Electric, gas and water	1,030,280	156,646	856,374	112,338
Construction	**1,990,080**	**822,768**	**2,437,462**	**551,462**
Services	**7,718,014**	**2,637,357**	**7,918,533**	**2,500,944**
Wholesale and retail trade	2,380,069	537,462	2,324,179	573,056
Hotel, food and beverage services	195,970	35,666	210,058	3,184
Transportation and telecommunication	1,427,318	214,438	1,459,188	150,790
Financial institutions	1,085,031	1,607,691	1,189,123	1,514,149
Real estate and renting services	1,454,319	85,794	1,876,100	115,092
Self-employment services	1,087,245	137,372	733,614	122,403
Education services	2,200	339	1,604	364
Health and social services	85,862	18,595	124,667	21,906
Other	**410,008**	**9,063**	**496,250**	**60,619**
Total (*)	**16,764,766**	**6,886,697**	**15,606,267**	**5,729,891**
Non-performing loans	986,050	-	683,853	-
Expected credit losses	(521,191)	(51,409)	(954,000)	(55,828)
Total(*)	**17,229,625**	**6,835,288**	**15,336,120**	**5,674,063**

(*) Net leasing receivables for 31 December 2019 and 2018 amounting to TL 1,428,206 and TL 1,891,972 respectively are not included.

h. Carrying amounts per class of financial assets whose terms have been renegotiated:

	31 December 2019	31 December 2018
Loans and advances to customers		
- Corporate lending	241,467	190,192
- Small business lending	326,934	62,223
- Consumer lending	228	233
Total	**568,629**	**252,648**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

i. Offsetting financial assets and financial liabilities:

The disclosures set out in the tables below include financial assets and financial liabilities that:

• are offset in the Group's statement of financial position; or

• are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements. Similar financial instruments include derivatives. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

Such collateral is subject to each agreement terms. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The Group receives and gives collateral in the form of cash in respect of the derivative transactions.

					Related amounts not offset in the statement of financial position		
	Types of financial assets	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
31 December 2019	Derivative financial instruments	188,997	-	188,997	-	(10,063)	178,934
31 December 2018	Derivative financial instruments	194,612	-	194,612	-	(80,543)	114,069

					Related amounts not offset in the statement of financial position		
	Types of financial liabilities	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral pledged**	**Net amount**
31 December 2019	Derivative financial instruments	179,920	-	179,920	-	214,303	394,223
31 December 2018	Derivative financial instruments	174,120	-	174,120	-	(306,514)	(132,394)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

B. Market Risk

Market risk is the risk of potential loss arising from the adverse effects of interest rates, exchange rates and equity price volatility inherent in the Bank's trading portfolio. The Bank calculates the regulatory capital requirement for market risk using the standardized method within the framework of Banking Regulatory and Supervision Agency guidelines. In accordance with international best practices, Value at Risk (VaR) is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation VaR method, adjusted for EWMA (Exponentially Weighted Moving Average). In order to manage the market risk efficiently and to be consistent with the risk appetite, position limits for asset classes, an overall "Bank Risk Tolerance" and VaR limits for each risk factor are determined. Limit monitoring is done daily by the Risk Management Group. VaR results are supported by regular stress tests and scenario analysis.

The Bank utilizes back testing to verify the predictive power of the value-at-risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day are compared with the actual gains/losses arising from these positions on the next business day. The assumptions used in the VaR model are reviewed and revised as needed based on the results of the back testing process.

C. Currency Risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below summarizes the Group's exposure to foreign currency exchange rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

C. Currency Risk (Continued)

31 December 2019

	USD	**EUR**	**Other**	**Subtotal**	**TL**	**Total**
Cash and balances with the Central Bank of Turkey	2,270,616	220,256	46,725	2,537,597	148,827	2,686,424
Loans and advances to banks	964,428	84,237	69,708	1,118,373	1,932,696	3,051,069
Financial assets at fair value through profit or loss	-	-		-	14,444	14,444
Derivative financial assets	55,117	2,539	3	57,659	131,338	188,997
Loans and advances to customers(***)	3,132,971	7,283,715	-	10,416,686	8,241,145	18,657,831
Investment securities	3,442,674	-	-	3,442,674	524,543	3,967,217
- Investment securities at fair value through other comprehensive income	-	-	-	-	235,254	235,254
- Investment securities at amortised cost	3,442,674	-	-	3,442,674	289,289	3,731,963
Intangible assets	-	-	-	-	109,312	109,312
Property and equipment	-	-	-	-	350,790	350,790
Deferred income tax assets	-	-	-	-	137,513	137,513
Other assets (*)	135,815	91,531	-	227,346	555,741	783,087
Total assets	**10,001,621**	**7,682,278**	**116,436**	**17,800,335**	**12,146,349**	**29,946,684**
Liabilities						
Deposits from banks	109,289	40	513	109,842	130,798	240,640
Due to customers	6,777,026	1,645,896	99,163	8,522,085	7,309,584	15,831,669
Funds borrowed and subordinated liabilities	7,198,794	2,378,910	-	9,577,704	280,023	9,857,727
Debt securities issued	-	-	-	-	771,622	771,622
Derivative financial instruments	73,075	2,158	-	75,233	104,687	179,920
Derivatives held for risk management	-	-	-	-	14,119	14,119
Provisions	1,576	-	-	1,576	90,625	92,201
Retirement benefit obligations	-	-	-	-	8,850	8,850
Other liabilities(**)	105,860	60,283	692	166,835	2,783,101	2,949,936
Total liabilities	**14,265,620**	**4,087,287**	**100,368**	**18,453,275**	**11,493,409**	**29,946,684**
Net balance sheet position	**(4,263,999)**	**3,594,991**	**16,068**	**(652,940)**	**652,940**	**-**
Off balance sheet derivative instruments net notional position	4,795,975	(3,594,308)	(15,180)	1,186,487	(1,155,253)	31,234
Net foreign currency position	**531,976**	**683**	**888**	**533,547**	**(502,313)**	**31,234**
31 December 2018						
Total assets	9,139,848	7,108,820	55,425	16,304,093	9,416,957	25,721,050
Total liabilities	12,900,347	2,978,270	77,705	15,956,322	9,764,728	25,721,050
Net balance sheet position	**(3,760,499)**	**4,130,550**	**(22,280)**	**347,771**	**(347,771)**	**-**
Off-balance sheet derivative instruments net notional position	4,160,552	(4,136,607)	24,738	48,683	101,456	150,139
Net foreign currency position	**400,053**	**(6,057)**	**2,458**	**396,454**	**(246,315)**	**150,139**

(*) Includes held for sale amount of TL 321,735 (31 December 2018: TL 186,675).
(**) Other liabilities balance contains equity.
(***)FC indexed loans and accruals are amounting to TL 371,889 (31 December 2018: TL 938,877). Lease receivables are included.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

C. Currency Risk (Continued)

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2019. The Group's foreign currency risk sensitivity is presented below:

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies in 31 December 2019 and sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies in 31 December 2018. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

	31 December 2019		**31 December 2018**	
	Income statement	**Equity**	**Income statement**	**Equity**
USD	53,198	53,198	40,005	40,005
EUR	68	68	(606)	(606)
Other	89	89	246	246
Total, net	**53,355**	**53,355**	**39,645**	**39,645**

	31 December 2019		**31 December 2018**	
	Income statement	**Equity**	**Income statement**	**Equity**
USD	(53,198)	(53,198)	(40,005)	(40,005)
EUR	(68)	(68)	606	606
Other	(89)	(89)	(246)	(246)
Total, net	**(53,355)**	**(53,355)**	**(39,645)**	**(39,645)**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk

Even though the Bank is exposed to structural interest rate risk on its statement of financial position due to the nature of its existing activities, it ensures that this risk remains within pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive statement of financial position items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate

margins, so as to calculate their impact on net economic value, as defined in the relevant regulation published by BRSA. Beside the BRSA standard interest rate shock scenario, other internally defined scenarios are also simulated.

Trading and non-trading risks are approved separately in the policy documents and the Market Risk Committee is given discretion in defining the tools and methodology used in measuring, monitoring and managing both trading and non-trading risks.

Interest rate sensitivity:

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

(*) The analysis is based on Parent Bank's financial position

31 December 2018 (*)	**Applied Shock (+/- x basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
	+500bps	(111,147)	(2.95%)
1.TRY	-400 bps	99,527	2.64%
	+200 bps	(69,062)	(1.83%)
2.EURO	-200 bps	78,031	2.07%
	+200 bps	(78,503)	(2.08%)
3.USD	-200 bps	94,187	2.50%
Total (For Negative Shocks)		**271,745**	**7.21%**
Total (For Positive Shocks)		**(258,712)**	**(6.86%)**

(*) The analysis is based on Parent Bank's financial position

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

31 December 2019	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and balances with the Central Bank of Turkey	2,425,375	-	-	-	261,049	2,686,424
Loans and advances to banks	2,527,859	-	-	-	523,210	3,051,069
Financial assets at fair value through profit or loss	12,491	1,953	-	-	-	14,444
Derivative financial assets	54,534	25,133	30,872	71,897	6,561	188,997
Loans and advances to customers (*)	5,591,601	6,132,832	5,428,848	1,098,557	405,993	18,657,831
Investment securities	2,240,705	1,718,623	-	-	7,889	3,967,217
- Investment securities at fair value through other comprehensive income	96,684	130,150	-	-	8,420	235,254
- Investment securities at amortised cost	2,144,021	1,588,473	-	-	(531)	3,731,963
Intangible assets	-	-	-	-	109,312	109,312
Property and equipment	-	-	-	-	350,790	350,790
Deferred income tax assets	-	-	-	-	137,513	137,513
Other assets (**)	26,110	-	-	-	756,977	783,087
Total assets	**12,878,675**	**7,878,541**	**5,459,720**	**1,170,454**	**2,559,294**	**29,946,684**
Liabilities						
Deposits from bank	238,065	-	-	-	2,575	240,640
Due to customers	14,018,239	524,539	19,745	-	1,269,146	15,831,669
Funds borrowed and subordinated liabilities	4,222,917	3,858,673	4,578	1,799,079	(27,520)	9,857,727
Debt securities issued	721,030	-	50,592	-	-	771,622
Derivative financial instruments	52,333	25,414	30,272	71,901	-	179,920
Derivatives held for risk management	-	14,119	-	-	-	14,119
Provisions	-	-	-	-	92,201	92,201
Retirement benefit obligations	-	-	-	-	8,850	8,850
Other liabilities	47,181	2,613	1,497	441	2,898,204	2,949,936
Total liabilities	**19,299,765**	**4,425,358**	**106,684**	**1,871,421**	**4,243,456**	**29,946,684**
Net interest re-pricing gap	**(6,421,090)**	**3,453,183**	**5,353,036**	**(700,967)**	**(1,684,162)**	**-**

(*) Includes lease receivables.

(**) Includes held for sale amount of TL 321,735.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

31 December 2018	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and balances with the Central Bank of Turkey	1,801,048	-	-	-	411,003	2,212,051
Loans and advances to banks	1,369,542	-	-	-	65,938	1,435,480
Financial assets at fair value through profit or loss	41,459	589	-	-	-	42,048
Derivative financial assets	65,968	17,958	99,372	61	11,253	194,612
Loans and advances to customers (*)	6,042,244	4,836,310	5,790,922	733,235	(174,619)	17,228,092
Investment securities	1,957,532	1,472,014	-	-	5,222	3,434,768
- Investment securities at fair value through other comprehensive income	2,486	-	-	-	5,658	8,144
- Investment securities at amortised cost	1,955,046	1,472,014	-	-	(436)	3,426,624
Intangible assets	-	-	-	-	100,880	100,880
Property and equipment	-	-	-	-	283,361	283,361
Deferred income tax assets	-	-	-	-	172,895	172,895
Other assets	6,552	170	-	-	610,141	616,863
Total assets	**11,284,345**	**6,327,041**	**5,890,294**	**733,296**	**1,486,074**	**25,721,050**
Liabilities						
Deposits from bank	836,871	-	-	-	1,979	838,850
Due to customers	12,229,139	516,447	67	-	719,776	13,465,429
Funds borrowed and subordinated liabilities	3,014,170	3,564,966	155,045	-	-	6,734,181
Debt securities issued	558,349	1,338,284	-	-	-	1,896,633
Derivative financial instruments	52,445	21,974	99,701	-	-	174,120
Derivatives held for risk management	-	-	4,023	-	-	4,023
Provisions	-	-	-	-	92,132	92,132
Retirement benefit obligations	-	-	-	-	8,705	8,705
Other liabilities	53,205	311,069	103,663	61	2,038,979	2,506,977
Total liabilities	**16,744,179**	**5,752,740**	**362,499**	**61**	**2,861,571**	**25,721,050**
Net interest re-pricing gap	**(5,459,834)**	**574,301**	**5,527,795**	**733,235**	**(1,375,497)**	-

(*) Other assets include lease receivables.

(**) Includes held for sale amount of TL 186,675.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2019 and 31 December 2018 based on yearly contractual rates.

	31 December 2019 (*)			
	USD (%)	**EUR (%)**	**Other**	**TL (%)**
Assets				
Cash and balances with the Central Bank of Turkey	-	-	-	10.00
Loans and advances to banks	1.55	-	-	10.75
Money Market Placements	-	-	-	11.30
Financial assets at FVTPL	-	-	-	11.60
Investment securities				
- FVTOCI	-	-	-	7.63
- AC	4.65	-	-	18.15
Loans and advances to customers(***)	6.06	4.23	-	16.88
Liabilities				
Deposits from banks	2.24	-	0.20	11.04
Other deposits (**)	2.41	0.26	1.04	10.97
Money Market Funds	2.80	-	-	9.50
Due to customers	-	-	-	-
Funds borrowed and subordinated liabilities	5.24	1.92	-	12.52
Debt securities issued	-	-	-	12.19

(*) Represents Parent Bank's average interest rates.

(**) Demand deposit amounts are included.

(***) Average interest rates of leasing receivables are included.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

	31 December 2018 (*)			
	USD (%)	EUR (%)	Other	TL (%)
Assets				
Cash and balances with the Central Bank of Turkey	2.00	-	-	13.00
Loans and advances to banks	6.29	-	-	23.68
Money Market Placements	-	-	-	25.40
Financial assets held for trading	5.16	-	-	16.64
Investment securities	-	-	-	-
- FVTOCI	-	-	-	13.11
- AC	4.59	-	-	8.53
Loans and advances to customers(**)	7.47	5.18	-	23.71
Liabilities				
Deposits from banks	1.84	-	0.15	22.07
Money Market Funds	0.55	-	-	-
Due to customers	5.01	1.61	2.40	22.70
Funds borrowed and subordinated liabilities	5.93	2.22	-	12.83
Debt securities issued	3.12	-	-	24.82

(*) Represents Parent Bank's average interest rates

(**) Average interest rates of leasing receivables are included.

E. Liquidity Risk

Liquidity risk refers to the possibility of an institution being unable to access necessary funds due to declining fund-raising capacity; The Group closely monitors its overall liquidity level and operates under strict limits based on stress conditions. To address liquidity risk, the Group has adopted a unified approach to TL and foreign currency fund-raising opportunities. The key limit puts a ceiling on the share of overnight borrowing in the current funding pool and acts as a warning signal for the senior management to adjust the composition and/or the pricing of the borrowing instruments.

The Group uses domestic and foreign markets for its liquidity needs, Low level of liquidity needs enables an easy way of loan borrowing from the corresponding markets (Central Bank of the Republic of Turkey ("CBRT"), ISE, Interbank money market, ISE Settlement and Custody Bank and other markets). The potential cash resources are: money market debts which can be obtained from the domestic banks and repurchase transactions in foreign markets with Eurobonds in the portfolio.

The Group's fund resources consist mainly of deposits. The investments portfolio consists mainly of the property and equipment held for sale purpose and related to discontinued operations investments.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks", liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

The following tables analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

31 December 2019	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undistributed**	**Total**
Assets						
Cash and balances with the Central Bank of Turkey	2,686,424	-	-	-	-	2,686,424
Loans and advances to banks	3,051,398	-	-	-	(329)	3,051,069
Financial assets at fair value through profit or loss	7,315	1,953	5,171	5	-	14,444
Derivative financial assets	61,092	25,135	30,872	71,898	-	188,997
Loans and advances to customers	3,705,843	5,469,556	6,849,801	2,244,400	388,231	18,657,831
Investment securities	216,996	90,431	2,269,345	1,382,556	7,889	3,967,217
- Investment securities at fair value through other comprehensive income	*3,049*	-	*183,110*	*40,675*	*8,420*	*235,254*
- Investment securities at amortised cost	*213,947*	*90,431*	*2,086,235*	*1,341,881*	*(531)*	*3,731,963*
Intangible assets	-	-	-	-	109,312	109,312
Property and equipment	-	-	-	-	350,790	350,790
Deferred income tax assets	-	-	-	-	137,513	137,513
Other assets	165,608	16,287	19,031	9,373	572,788	783,087
Total assets	**9,894,676**	**5,603,362**	**9,174,220**	**3,708,232**	**1,566,194**	**29,946,684**
Liabilities						
Deposits from banks	240,640	-	-	-	-	240,640
Due to customers	15,287,385	524,539	19,745	-	-	15,831,669
Funds borrowed and subordinated liabilities	1,227,385	4,682,617	1,879,102	2,096,143	(27,520)	9,857,727
Debt securities issued	721,030	-	50,592	-	-	771,622
Derivative financial instruments	52,333	25,414	30,272	71,901	-	179,920
Derivatives held for risk management	-	14,119	-	-	-	14,119
Provisions	-	-	-	-	92,201	92,201
Retirement benefit obligations	-	-	-	-	8,850	8,850
Other liabilities	479,548	2,612	1,497	442	2,465,837	2,949,936
Total liabilities and equity	**18,008,321**	**5,249,301**	**1,981,208**	**2,168,486**	**2,539,368**	**29,946,684**
Net liquidity gap	**(8,113,645)**	**354,061**	**7,193,012**	**1,539,746**	**(973,174)**	**-**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

31 December 2018	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undistributed**	**Total**
Assets						
Cash and balances with the Central Bank of Turkey	2,212,051	-	-	-	-	2,212,051
Loans and advances to banks	1,435,773	-	-	-	(293)	1,435,480
Financial assets at fair value through profit or loss			39,266	2,782		42,048
Derivative financial assets	77,225	17,958	99,372	57	-	194,612
Loans and advances to customers	7,379,036	1,884,337	6,510,803	1,642,573	(188,657)	17,228,092
Investment securities	-	56,865	1,978,116	1,394,565	5,222	3,434,768
- Investment securities at fair value through other comprehensive income	-	-	*2,486*	-	*5,658*	*8,144*
- Investment securities at amortised cost	-	*56,865*	*1,975,630*	*1,394,565*	*(436)*	*3,426,624*
Intangible assets	-	-	-	-	100,880	100,880
Property and equipment	-	-	-	-	283,361	283,361
Deferred income tax assets	-	-	-	-	172,895	172,895
Other assets	165,479	18,390	22,131	10,899	399,964	616,863
Total assets	**11,269,564**	**1,977,550**	**8,649,688**	**3,050,876**	**773,372**	**25,721,050**
Liabilities						
Deposits from banks	838,850	-	-	-	-	838,850
Due to customers	12,948,915	516,447	67	-	-	13,465,429
Funds borrowed and subordinated liabilities	1,263,692	1,848,463	1,758,375	1,863,651	-	6,734,181
Debt securities issued	558,349	1,338,284	-	-	-	1,896,633
Derivative financial instruments	52,445	21,974	99,701	-	-	174,120
Derivatives held for risk management	-	-	4,023	-	-	4,023
Provisions	-	-	-	-	92,132	92,132
Retirement benefit obligations	-	-	-	-	8,705	8,705
Other liabilities and equity	837,844	21,974	103,663	61	1,543,435	2,506,977
Total liabilities and equity	**16,500,095**	**3,747,142**	**1,965,829**	**1,863,712**	**1,644,272**	**25,721,050**
Net liquidity gap	**(5,230,531)**	**(1,769,592)**	**6,683,859**	**1,187,164**	**(870,900)**	**-**

(*) Other assets include lease receivables.

The following table presents the cash flows payable by the Group under non-derivative financial liabilities remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

31 December 2019	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Liabilities					
Deposits from banks	242,524	-	-	-	242,524
Due to customers	15,331,717	536,361	22,194	-	15,890,272
Funds borrowed	1,264,957	5,106,200	4,024,687	810,101	11,205,945
Debt securities issued	744,725	6,387	50,800	-	801,912
Total liabilities	**17,583,923**	**5,648,948**	**4,097,681**	**810,101**	**28,140,653**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

31 December 2018	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities					
Deposits from banks	841,654	-	-	-	841,654
Due to customers	13,079,082	561,226	80	-	13,640,388
Funds borrowed	1,274,019	2,151,657	2,026,046	1,929,512	7,381,234
Debt securities issued	626,861	1,340,775	-	-	1,967,636
Total liabilities	**15,821,616**	**4,053,658**	**2,026,126**	**1,929,512**	**23,830,912**

F. Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk is managed based on a framework for identifying, measuring, monitoring and managing all risks within the scope of the definition of operational risk. The Bank's risk management and internal controls allow it to control and minimize operational risks effectively under a detailed set of written procedures. These procedures are readily accessible and continuously updated and include procedures to handle all contingency events.

Studies of activity-based operational risks are continuing through the Risk Control Self-Assessment. These are categorized according to cause, event and effect categories as proposed by Basel II, and action has been taken for severe risks.

The Business Continuity Management Plan, prepared in order to minimize losses due to business disruption, has been implemented. Comprehensive annual testing of the Disaster Recovery Center (DRC) is conducted with the participation of business units and IT.

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of 31 March 2016, is used in the annual operational risk calculation of the Bank. The amount subject to operational risk as of 31 December 2019 is based on the gross income of the Group for the years ended 2015, 2016 2017 and 2018. As of 31 December 2019, the total amount subject to operational risk is calculated as TL 1,122,241 (31 December 2018: TL 978,813) and the amount of the related capital requirement is TL 89,779 (31 December 2018: TL 78,305).

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

G. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"), these guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, in accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Group's regulatory capital position on a consolidated basis is as follows:

	31 December 2019	**31 December 2018**
Tier I capital	2,549,720	1,931,295
Tier II capital	2,070,977	1,853,469
Deductions	(1,396)	(1,515)
Total regulatory capital	**4,619,301**	**3,783,249**
Amount subject to credit risk	25,242,226	21,838,977
Amount subject to market risk	407,900	359,063
Amount subject to operational risk	1,122,241	978,813
Capital adequacy ratio (%)	**17.25**	**16.32**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	31 December 2019		31 December 2018	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Loans and advances to banks	3,051,069	3,051,069	1,435,480	1,435,480
Financial assets fair value through other comprehensive income	235,254	235,254	8,144	8,144
Investment securities at amortised cost	3,731,963	3,669,116	3,426,624	2,868,259
Loans and advances to customers	17,229,625	17,574,347	15,336,120	15,336,120
Financial liabilities:				
Deposits from banks	240,640	240,640	838,850	838,850
Due to customers	15,831,669	14,401,941	13,465,429	13,784,081
Funds borrowed and subordinated liabilities	9,857,727	9,278,283	6,734,181	6,734,181
Debt securities issued	771,622	771,622	1,896,633	1,919,857

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Loans and advances to banks

The fair value of overnight loans and advances to banks are considered to approximate its carrying amounts. The estimated fair values of long term interest bearing loans and advances to banks are based on discounted cash flows using prevailing money market interest rates at the reporting date with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar credit risk, currency and remaining maturity to determine their fair value.

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost (Continued)

Due to customers, deposits from banks, funds borrowed

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of other borrowings and debt securities issued without quoted market price is of estimated future cash flows expected to be paid using money market interest rates prevailing at the reporting date with similar credit risk, currency and remaining maturity.

The estimated fair value of interest bearing liabilities due to customers is based on discounted cash flows of estimated future cash flows expected to be paid.

Fair value estimation

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

Level 2 trading derivatives comprise forward foreign exchange contracts, interest rate swaps and currency options. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Currency options are fair valued using by using Black & Scholes method and also active market values depending on the option type.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost (Continued)

Fair value estimation (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

31 December 2019	**Level 1**	**Level 2 (*)**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	5,176	9,268	-	14,444
Derivative financial assets	-	188,997	-	188,997
Financial assets fair value through other comprehensive income	232,206	-	3,048	235,254
Hedged Loans	-	-	-	-
Total assets	**237,382**	**198,265**	**3,048**	**438,695**
Derivative financial liabilities	-	194,039	-	194,039
Total liabilities	**-**	**194,039**	**-**	**194,039**

(*) Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, discount rates and foreign currency exchange rates.

31 December 2018	**Level 1**	**Level 2 (*)**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	3,272	38,776	-	42,048
Derivative financial assets	-	194,612	-	194,612
Financial assets fair value through other comprehensive income	5,658	2,486	-	8,144
Hedged Loans	-	6,709	-	6,709
Total assets	**8,930**	**242,583**	**-**	**251,513**
Financial liabilities at fair value through profit and loss				
- Derivatives	-	178,143	-	178,143
Total liabilities	**-**	**178,143**	**-**	**178,143**

(*) Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, discount rates and foreign currency exchange rates.

I. Fiduciary activities

The Group provides custody services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Fiduciary capacity of the Group is as follows:

	31 December 2019	**31 December 2018**
Investment securities held in custody	1,801,856	1,000,651
Cheques received for collection	373,347	398,469
Customer investment security portfolio	10,247,748	42,254
Other Items Under Custody	9,863,092	10,284,175
Commercial notes received for collection	48,917	71,458
Total	**22,334,960**	**11,797,007**

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

NOTE 5 - CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	31 December 2019	31 December 2018
Cash and cash equivalents	149,382	98,124
Demand deposits with the Central Bank of Turkey (*)	1,289,721	1,331,460
Loans and advances to banks (with original maturity less than three months) (*) (**)	3,050,618	1,435,146
Cash and cash equivalents (*)	**4,489,721**	**2,864,730**

(*) Excluding accruals, restricted deposits with Central Bank of Turkey

(**) Amount of TL 329 expected credit losses for banks excluded.

NOTE 6 - CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY

	31 December 2019	31 December 2018
Cash and cash equivalents		
Cash in hand - foreign currency	114,773	79,982
Cash in hand - TL	34,609	18,142
	149,382	**98,124**
Demand deposits at central banks		
Foreign currency	1,178,126	1,026,157
TL	114,146	325,094
	1,292,272	**1,351,251**
Time deposits at central banks		
TL	-	-
	-	-
Reserve deposits at central banks		
Foreign currency	1,244,698	755,100
	1,244,698	**755,100**
Cash in transit	**72**	**7,576**
Total	**2,686,424**	**2,212,051**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

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

NOTE 6 - CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY (Continued)

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 31 December 2019, the Turkish lira required reserve ratios are determined to be within the range of 1%-7% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2018: 1.5%-8% for all Turkish Lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 15%-19% (31 December 2018: 8%-12% for all foreign currency deposits) and other foreign currency liabilities within the range of 5%-21% (31 December 2018: 4%-20% for all foreign currency liabilities). CBRT started to pay interest for the Turkish Lira reserve since 5 November 2014. CBRT also started to pay interest for the Foreign Currency reserve since 5 May 2015.

NOTE 7 - LOANS AND ADVANCES TO BANK

	31 December 2019			**31 December 2018**		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
TL:						
Nostro/demand deposits	118	-	118	598	-	598
Time deposits	20,312	-	20,312	242,938	-	242,938
Interbank money market	1,912,595	-	1,912,595	630,439	-	630,439
	1,933,025	**-**	**1,933,025**	**873,975**	**-**	**873,975**
Foreign currency:						
Nostro/demand deposits	56,543	353,212	409,755	1,283	64,350	65,633
Time deposits	453,772	254,846	708,618	389,782	106,383	496,165
	510,315	**608,058**	**1,118,373**	**391,065**	**170,733**	**561,798**
Expected credit losses(-)	**263**	**66**	**329**	**258**	**35**	**293**
Total	**2,443,077**	**607,992**	**3,051,069**	**1,264,782**	**170,698**	**1,435,480**

NOTE 8 - FINANCIAL ASSETS AT FAİR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	**31 December 2018**
Government bonds and treasury bills(*)	14,444	42,048
Total debt securities	**14,444**	**42,048**
Derivative financial instruments	188,997	194,612
Total financial assets at fair value through profit or loss	**203,441**	**236,660**

(*) Other financial assets amounting to TL 9,268 are included (31 December 2018: TL 38,776).

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities represent corporate bonds issued by companies incorporated in Turkey.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

"Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the +Group assesses counterparties using the same techniques as for its lending activities.

Options are the right to buy or sell for the buyer and are the obligations for the writer an asset at a specified price until a specified expiration date. Options are traded for clients' needs.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

31 December 2019	**Contract/notional**	**Fair values**	
	amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	969,973	3,963	(4,271)
Currency swaps	20,647,636	176,432	(168,421)
OTC currency options	3,458,224	7,460	(7,228)
Other	1,028,048	-	-
Total(*)	**26,103,881**	**187,855**	**(179,920)**

(*) Derivatives for hedging purpose are excluded

31 December 2018	**Contract/ notional**	**Fair values**	
	amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	1,074,078	23,628	(20,469)
Currency swaps	18,663,807	152,109	(142,475)
OTC currency options	2,216,363	17,390	(11,176)
Other	84,469	1,485	-
Total (*)	**22,038,717**	**194,612**	**(174,120)**

(*) Derivatives for hedging purpose are excluded.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2019	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for risk management			
Interest rate swaps [(*)]	860,000	1,142	14,119
Total	**860,000**	**1,142**	**14,119**

(*) Explained in Note 2.

31 December 2018	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for risk management			
Interest rate swaps [(*)]	710,000	-	4,023
Total	**710,000**	**-**	**4,023**

(*) Explained in Note 2.

The impact of cash flow hedge accounting application is summarized below:

31 December 2019

Hedging Instrument	**Asset liability hedging**	**Risk Hedge**	**Fair value gain of hedged asset**	**Net fair value of hedging account**	
				Asset	**Liability**
Interest swap contract	Fixed interest, fixed payment commercial loans	Fixed interest rate risk	2	1,142	14,119

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

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

31 December 2019	Corporate	SME	Consumer	Credit Card	Lease Receivables	Total
Performing loans	10,309,567	3,710,711	149,431	25,173	974,906	15,169,788
Loans under close monitoring	1,692,041	866,449	8,449	2,945	447,889	3,017,773
Loans under legal follow-up	622,481	357,539	4,787	1,243	80,437	1,066,487
Gross	**12,624,089**	**4,934,699**	**162,667**	**29,361**	**1,503,232**	**19,254,048**
Less: 12 month ECL (stage 1)	49,458	33,625	507	493	1,449	85,532
Less: Lifetime ECL significant increase in credit risk (stage 2)	116,667	72,014	60	112	34,900	223,753
Less: Lifetime ECL impaired credits (stage 3)	188,512	57,527	1,782	434	38,677	286,932
Total allowance for impairment	**354,637**	**163,166**	**2,349**	**1,039**	**75,026**	**596,217**
Net	**12,269,452**	**4,771,533**	**160,318**	**28,322**	**1,428,206**	**18,657,831**

31 December 2018	Corporate	SME	Consumer	Credit Card	Lease Receivables	Total
Performing loans	8,434,003	4,680,339	139,440	21,204	1,437,550	14,712,536
Loans under close monitoring	1,724,910	593,780	10,414	2,177	396,742	2,728,023
Loans under legal follow-up	281,398	398,508	3,307	640	135,343	819,196
Gross	**10,440,311**	**5,672,627**	**153,161**	**24,021**	**1,969,635**	**18,259,755**
Less: 12 month ECL (stage 1)	49,812	47,316	667	472	2,468	100,735
Less: Lifetime ECL significant increase in credit risk (stage 2)	346,873	46,677	58	64	21,549	415,221
Less: Lifetime ECL impaired credits (stage 3)	322,695	138,192	1,149	25	53,646	515,707
Total allowance for impairment	**719,380**	**232,185**	**1,874**	**561**	**77,663**	**1,031,663**
Net	**9,720,931**	**5,440,442**	**151,287**	**23,460**	**1,891,972**	**17,228,092**

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Information on the movement of total non-performing loans as follows:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2018 (***)	**238,696**	**85,264**	**495,236**
Addition (+)	426,907	7,685	779,011
Transfers from Other Categories of Non-performing Loans (+)	2	446,421	331,934
Transfers to Other Categories of Non-performing Loans (-)	(446,421)	(331,934)	(162)
Collections (-)	(61,597)	(58,916)	(95,379)
Write-offs (-) (*)	-	-	(625,657)
Sold Portfolio (-) (**)	-	(16,682)	(107,921)
Corporate and Commercial Loans	-	(16,682)	(106,183)
Consumer Loans	-	-	(649)
Credit Cards	-	-	(1,089)
31 December 2019	**157,587**	**131,838**	**777,062**
Specific Provision (-)	50,518	54,396	182,018
Net Balance on Balance Sheet	**107,069**	**77,442**	**595,044**

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

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

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

Reconciliation of allowance account for losses on loans and advances by class is as follows:

31 December 2019	Allowance for Impairment on Stage 1& Stage 2 Loans	Allowance for Impairment on Stage 3 Loans	Total
At January .2018	515,956	515,707	1,031,663
Charge for the year	275,176	737,255	1,012,431
Collection and Recoveries	(481,847)	(215,892)	(697,739)
Amounts written off and sold (*)	-	(750,138)	(750,138)
Total	**309,285**	**286,932**	**596,217**

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

(*)The Bank's non-performing loans amounting to TL 3,866 have been write-off, due to the Board of Directors' decisions taken in 2019.

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

31 December 2018	Allowance for Impairment on Stage 1& Stage 2 Loans	Allowance for Impairment on Stage 3 Loans	Total
At January ,2017	596,696	407,895	1,004,591
Charge for the year	179,099	261,008	440,107
Collection and Recoveries	(259,839)	(18,498)	(278,337)
Amounts written off and sold (*)	-	(134,698)	(134,698)
Total	**515,956**	**515,707**	**1,031,663**

(*) Alternatiflease A.Ş has sold non-performing loans of TL 7,766 and provision amounting to TL 7,766 to Met-Ay Yönetim A.Ş. on 25 December 2018 for TL 76.

The Parent Bank has sold non-performing loans of TL 95,525 and provision amounting to TL 95,525 to Sümer Varlık Yönetim A.Ş. on 22 March 2018 for TL 1,980.

The Parent Bank has written – off non-performing loans corresponds to provision amount of TL 31,407 and has collected TL 8,927, due to the protocols which made with the creditors and in accordance with the decisions of the Board of Directors.

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

NOTE 11 - INVESTMENT SECURITIES

(i) Investment securities at fair value through other comprehensive income

	31 December 2019
Investment securities at fair value through other comprehensive income	
Government bonds and treasury bills	233,598
Government bonds and treasury bills sold under repurchase agreements	1,656
Total securities at fair value through other comprehensive income	**235,254**

	31 December 2018
Investment securities at fair value through other comprehensive income	
Government bonds and treasury bills	8,144
Government bonds and treasury bills sold under repurchase agreements	-
Total securities at fair value through other comprehensive income	**8,144**

(ii) Investment securities at amortised cost

	31 December 2019
Debt securities - at amortised cost - listed:	
Government bonds and treasury bills	3,146,288
Other financial assets	462,559
Government bonds and treasury bills sold under repurchase agreements	123,647
Expected credit losses (-)	(531)
Total securities at amortised cost	**3,731,963**

	31 December 2018
Debt securities - at amortised cost - listed:	
Government bonds and treasury bills	1,922,009
Other financial assets	439,761
Government bonds and treasury bills sold under repurchase agreements	1,065,290
Expected credit losses (-)	(436)
Total securities at amortised cost	**3,426,624**

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey.

Amortised cost securities whose total carrying amount is TL 123,647 as at 31 December 2019 (31 December 2018: TL 1,065,290) are pledged to banks and other financial institutions against funds obtained under repurchase agreements.

Amortised cost securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amount to TL 837,187 (31 December 2018: TL 772,147).

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

NOTE 11 - INVESTMENT SECURITIES (Continued)

(ii) Investment securities at amortised cost (Continued)

The movements in securities at amortised cost as at 31 December 2019 and 2018 are as follows:

	31 December 2019
Balance at 1 January	3,427,060
Foreign Exchange Differences in Monetary Items	391,587
Disposals/redemption	(56,866)
Change in amortised cost (-)	29,287
Expected credit losses (-)	(531)
Total securities at amortised cost	**3,731,963**

	31 December 2018
Balance at 1 January	881,860
Effect of Reclassifications and Measurements in accordance with IFRS 9	1,666,666
Foreign Exchange Differences in Monetary Items	904,019
Disposals/redemption	-
Change in amortised cost (-)	25,485
Expected credit losses (-)	(436)
Total securities at amortised cost	**3,426,624**

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

Carrying value and accumulated depreciation of intangible assets at the beginning and at the end of the period

	31 December 2019	31 December 2018
Cost	193,336	171,245
Accumulated amortisation	(84,024)	(70,365)
Net book amount	**109,312**	**100,880**

Movements of intangible assets are as follows:

31 December 2019 (*)

	Goodwill	Rights and Licenses	Software	Other	Total
Cost					
At 1 January	**49,017**	**85,100**	**35,612**	**1,516**	**171,245**
Additions	-	5,362	16,729	-	22,091
Disposals	-	-	-	-	-
At 31 December	**49,017**	**90,462**	**52,341**	**1,516**	**193,336**
Accumulated amortisation					
At 1 January	**-**	**(48,900)**	**(21,699)**	**234**	**(70,365)**
Amortisation charge (Note 28)	-	(3,689)	(9,970)	-	(13,659)
Disposals	-	-	-	-	-
At 31 December	**-**	**(52,589)**	**(31,669)**	**234**	**(84,024)**
Net carrying amount at 31 December	**49,017**	**37,873**	**20,672**	**1,750**	**109,312**

31 December 2018 (*)

	Goodwill	Rights and Licenses	Software	Other	Total
Cost					
At 1 January	**49,017**	**78,665**	**23,645**	**1,757**	**153,084**
Additions	-	6,435	11,967	-	18,402
Disposals	-	-	-	(241)	(241)
At 31 December	**49,017**	**85,100**	**35,612**	**1,516**	**171,245**
Accumulated amortisation					
At 1 January	**-**	**(45,422)**	**(15,251)**	**-**	**(60,673)**
Amortisation charge (Note 28)	-	(3,478)	(6,448)	-	(9,926)
Disposals	-	-	-	234	234
At 31 December	**-**	**(48,900)**	**(21,699)**	**234**	**(70,365)**
Net carrying amount at 31 December	**49,017**	**36,200**	**13,913**	**1,750**	**100,880**

(*) The group has no internally generated intangible asset.

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL (Continued)

Group has TL 49,017 goodwill in consolidated financial statements as of balance sheet date (31 December 2018: TL 49,017).

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

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

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

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş (AEH) and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency's authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased 2,727,259,500 shares which is 95.8% of Alternatif Finansal Kiralama ("Alternatif Lease"), the associate of AEH, with a consideration amount of TL 115,585 and 115,488,748 shares from other shareholders with a consideration amount of TL 4,894. The Bank has recognised TL 49,017 goodwill and TL 1,757 intangible assets on this transaction.

The valuation of the fair value of the equity of A Lease is made by the Bank in the current year. Discounted cash flow method was used for determining fair value by using 5 year business plan prepared by management of the company. Growing the business plan of the A Lease stems from the company's opportunities in the sector in which it operates and new customer acquisitions. The important assumptions about the calculating recoverable amount are discount rates and terminal growth rates. The discount rate used in the calculation is 16.9% and terminal growth rate is 16.2%.

NOTE 13 - PROPERTY AND EQUIPMENT

	31 December 2019	31 December 2018
Cost	445,703	353,658
Accumulated depreciation and impairment	(94,913)	(70,297)
Net carrying amount	**350,790**	**283,361**

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

NOTE 13 - PROPERTY AND EQUIPMENT (Continued)

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

31 December 2018	Real Estates	Motor Vehicles	Other Tangible Assets	Total
Cost	426	28	120,663	121,117
Accumulated Depreciation (-)	(8)	(28)	(82,570)	(82,606)
Net carrying amount	**418**	**-**	**38,093**	**38,511**
31 December 2018				
Net Book Value at Beginning of the Period	418	-	38,093	38,511
Additions	210,146	-	25,090	235,236
Disposals Cost	533	-	29,910	30,443
Disposals Depreciation (-)	-	-	(24,736)	(24,736)
Fair Value Difference(*)	27,782	-	-	27,782
Depreciation (-)	(2,361)	-	(10,100)	(12,461)
Cost at Period End	**237,821**	**28**	**115,809**	**353,658**
Accumulated Depreciation at Period End (-)	**(2,369)**	**(28)**	**(67,900)**	**(70,297)**
Closing Net Carrying Amount at Period End	**235,452**	**-**	**47,909**	**283,361**

(*) The Group has started to account head-office building under the tangible assets with its revalued amount instead of cost value in accordance with "IAS 16 Plant and Equipment" on 31 December 2019. The revaluation difference amounting to TL 27,782 arising from the valuation made by the appraisal firms authorized by CMB and BRSA, is accounted in Property and Plant Revaluation Differences line under the Shareholders' Equity.

As at 31 December 2018, there is no provision for impairment on property and equipment.

NOTE 14 - OTHER ASSETS

	31 December 2019	31 December 2018
Collaterals given for derivative transactions	214,303	306,514
Prepaid expenses	49,658	61,760
Pos Receivables	108,984	31,481
Clearing cheques	78,771	-
Others	9,636	30,433
Total	**461,352**	**430,188**

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

NOTE 15 - DEPOSITS FROM BANKS

	31 December 2019			31 December 2018		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency:						
Domestic banks	9	234	243	8	201	209
Foreign banks	410	17,251	17,661	820	5,630	6,450
Funds deposited under repurchase agreements	-	91,938	91,938	-	684,226	684,226
Subtotal	**419**	**109,423**	**109,842**	**828**	**690,057**	**690,885**
TL:						
Domestic banks	151	867	1,018	102	8,231	8,333
Foreign Banks	2,009	126,114	128,123	1,049	135,281	136,330
Funds deposited under repurchase agreements	-	1,657	1,657	-	3,302	3,302
Subtotal	**2,160**	**128,638**	**130,798**	**1,151**	**146,814**	**147,965**
Total	**2,579**	**238,061**	**240,640**	**1,979**	**836,871**	**838,850**

NOTE 16 - DEPOSITS FROM CUSTOMERS

	31 December 2019			31 December 2018		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency deposits:						
Saving deposits	126,656	3,811,681	3,938,337	92,645	1,966,076	2,058,721
Commercial deposits	566,157	4,017,591	4,583,748	277,138	4,349,334	4,626,472
Subtotal	**692,813**	**7,829,272**	**8,522,085**	**369,783**	**6,315,410**	**6,685,193**
TL deposits:						
Saving deposits	85,315	4,372,239	4,457,554	47,149	4,395,554	4,442,703
Commercial deposits	435,932	2,360,969	2,796,901	272,813	2,034,689	2,307,502
Public sector deposits	55,129	-	55,129	30,031	-	30,031
Subtotal	**576,376**	**6,733,208**	**7,309,584**	**349,993**	**6,430,243**	**6,780,236**
Total	**1,269,189**	**14,562,480**	**15,831,669**	**719,776**	**12,745,653**	**13,465,429**

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

NOTE 17 - FUNDS BORROWED AND SUBORDINATED LIABILITIES

	31 December 2019	31 December 2018
Foreign institutions and banks		
Syndication loans	150,928	921,322
Subordinated liabilities	2,096,143	1,863,654
Other	5,998,912	3,262,852
Total foreign	**8,245,983**	**6,047,828**
Domestic banks	1,611,744	686,353
Total domestic	**1,611,744**	**686,353**
Total	**9,857,727**	**6,734,181**

Reconciliation of funds borrowed as follows:

	31 December 2019
Balance at beginning of the year	**6,734,181**
Proceeds from funds borrowed	6,224,500
Payments for funds borrowed	(3,389,016)
Effects of foreign exchange-rate	288,062
Balance at 31 December 2019	**9,857,727**

The details of subordinated liabilities of the Bank as of 31 December 2019 are presented in the table below:

Lender	Amount USD	Amount TL(*)	Opening Date	Maturity	Interest Rate (%)
United Arab Bank, National Bank of Oman	USD 50,000	297,000	30 June 2015	10 years+1 day	Libor + 6.00
The Commercial Bank (P.S.Q.C)	USD 297,030	1,764,358	15 April 2016	10 years+1 day	8.75
The Commercial Bank (P.S.Q.C)	USD 75,000	264,195	30 June 2015	Demand	9,85

(*)Accruals amounting to TL 34,785 are excluded.

NOTE 18 - DEBT SECURITIES ISSUED

	31 December 2019	31 December 2018
Debt securities at amortised cost-fixed interest rate	771,622	1,896,633
Debt securities at amortised cost-variable interest rate	-	-
Total	**771,622**	**1,896,633**

The Bank issued 250 million euro-bond with five year maturity and coupon rate of 3.13%, all sold to investors in overseas markets on 21 July 2014.

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

NOTE 19 - TAXATION

	31 December 2019	31 December 2018
Current tax expense	(532)	-
Deferred tax (expense)/income	(44,962)	(33,790)
	(45,494)	**(33,790)**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return, Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis,

In Turkey, the corporate tax rate is 20% since January 1, 2006. With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20% (31 December 2018: 20%).

Payments will be carried out in single instalment until the end of the month in which the tax return is to be filed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their quarterly determined corporate income. Advance tax return is filed by the 14th of the second month following the each quarterly period and is payable on the 17th of the same month, Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

Reconciliation of income tax expense:

	31 December 2019	31 December 2018
Profit before tax	**239,152**	**238,688**
At Turkish statutory income tax rate of (22%-20%)	(52,613)	(47,738)
Disallowed expenses	(49,209)	(30,157)
Other non-taxable items	71,249	58,858
Other	(14,921)	(14,753)
Income tax expense	**(45,494)**	**(33,790)**

In Turkey, there is no procedure for a final and definitive agreement on tax assessments, Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings for tax purposes.

Under the Turkish taxation system, 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.

75% of the capital gains of corporations' from sale of participation shares and property (With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the mentioned sale of properties.) which have been in their assets at least for two years is exempt from corporate tax provided that this amount is kept in a special reserve account in the liabilities side of the statement of financial position for 5 years.

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

NOTE 19 - TAXATION (Continued)

Deferred taxes

Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Group calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled. However, because of the corporate tax rate is 20% and applicable to post 2020, 20% tax rate is used for temporary differences expected/expected to be closed after 2020 (31 December 2018: 20%).

The temporary differences giving rise to the deferred tax assets and (deferred tax liabilities) are as follows:

	31 December 2019	31 December 2018
Profit before tax after monetary gain		
Deferred Tax Assets/(Deferred Tax Liabilities)		
Tangible Assets Base Differences	(5,502)	(3,188)
Provisions	85,947	10,209
Valuation of Financial Assets	4,845	136,562
Deferred Commission Income	7,932	6,337
Investment Incentive	6,180	5,169
Tax Losses	26,530	17,858
Other	11,581	(52)
Net Deferred Tax Assets	**137,513**	**172,895**

The movements of deferred income taxes at 31 December were as follows:

	31 December 2019	31 December 2018
1 January	**172,895**	**187,023**
Charge for the year	(35,382)	(14,128)
Profit and loss	(44,962)	(33,790)
Deferred Tax Accounted Under Shareholders' Equity	10,874	33,084
Other comprehensive income	(1,294)	(13,422)
31 December	**137,513**	**172,895**

At 31 December 2019, there are no deductible temporary differences for which no deferred tax asset is recognised in the statement of financial position (31 December 2018: None).

NOTE 20 – ASSET HELD FOR SALE

Movement of assets held for resale and discontinued operations as follows:

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

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

NOTE 21 - PROVISIONS

	31 December 2019	31 December 2018
Provision for losses on credit related commitments	51,409	55,828
Other legal provision	17,769	15,472
Other	23,023	20,832
Total	**92,201**	**92,132**

Other legal provisions

At 31 December 2019 the Group is involved in number of legal disputes, The Group's lawyers advise that, owing to developments in some of these cases; it is probable that the Group will be found liable. Therefore, the management has recognised a provision of TL 17,769 (31 December 2018: TL 15,472) as the best estimate of the amount to settle these potential obligations.

NOTE 22 - RESERVE FOR EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
Reserve for defined benefit obligation	8,850	8,705
Balance at the end of the period	**8,850**	**8,705**

Under the Turkish Labour Law, the Parent Bank and its subsidiaries are required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of full TL 6,379.86 (31 December 2018: full TL 5,434.42 TL) for each year of service.

Movement of reserve for defined benefit obligation is as follows:

	31 December 2019	31 December 2018
Prior Period Ending Balance	**8,705**	**8,550**
Current Period Service Cost	653	1,467
Interest Cost	853	978
Paid Compensation	(6,560)	(3,349)
Termination Cost	4,757	2,153
Actuarial Loss (*)	442	(1,094)
Balance at the end of the period	**8,850**	**8,705**

(*) Actuarial losses are recognized in other comprehensive income.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

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

NOTE 22 - RESERVE FOR EMPLOYEE BENEFITS (Continued)

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	31 December 2019	31 December 2018
Discount rate (%)	4.50	4.50
The probability of retirement (%)	83.33	83.33

In addition, the Group has accounted bonus provision amounting to TL 20,401 (31 December 2018: TL 19,100) and for unused vacation rights provision amounting to TL 3,625 as 31 December 2019 (31 December 2018: TL 3,167).

NOTE 23 - OTHER LIABILITIES

	31 December 2019	31 December 2018
Blocked accounts	126,994	207,727
Cheques in collection	195,668	174,316
Taxes other than income and withholdings	42,867	35,681
Collaterals received for derivatives	10,063	80,543
Bonus accrual for personnel	20,401	19,100
Vacation pay liability	3,625	3,168
Cash collaterals	39,964	219,810
Other	21,914	63,204
Total	**461,496**	**803,549**

NOTE 24 - SHARE CAPITAL AND SHARE PREMIUM

The historic amount of share capital of the Company consists of 1,730 million (31 December 2018: 1,167 million) authorised shares with a nominal value of TL 1 each. The Company's authorised capital amounts to TL 1,730,655 (31 December 2018: TL 1,167,000).

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

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

	31 December 2019		31 December 2018	
Shareholders	**Participation rate (%)**	**TL thousand**	**Participation rate (%)**	**TL thousand**
The Commercial Bank (P.S.Q.C.)	1,730,655	100	100	1,167,000
Historical share capital	**1,730,655**	**100**	**100**	**1,167,000**
Share premium	54			54
Total share capital and share premium	**1,730,709**			**1,167,054**

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

NOTE 25 - RETAINED EARNINGS AND OTHER RESERVES

	31 December 2019	31 December 2018
Fair value reserves	(38,159)	(52,783)
Hedge reserves	(7,930)	(3,884)
Revaluation Surplus	27,782	27,782
Legal reserves	46,650	34,143
Other reserves	299,969	289,095
Total other reserves	**328,312**	**294,353**
Retained earnings	**379,032**	**242,005**

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

Legal Reserve

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders.

Fair value reserve

Information on fair value reserve is as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	46,089	-	(56,667)	-
Foreign Currency Difference	-	-	-	-
Total	**46,089**	**-**	**(56,667)**	**-**

Other Reserve

As of 31 December 2019, The Parent Bank, has started to follow the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million and classified to the equity account in 31 July 2018, as Turkish Liras, in accordance with the "Effects of Foreign Exchange Rate Changes Accounting Policy" and using 31 July 2018 closing US dollar rate. The Parent Bank has restated its subordinated loan amounting to TL 264,195 in the financial statements dated 31 December 2018. According to the "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors", the foreign exchange differences amounting to TL 18,698 between 31 July 2018 and 31 December 2017, transferred to the prior year's profit or loss.

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

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

NOTE 26 - NET INTEREST INCOME

	1 January- 31 December 2019	1 January- 31 December 2018
Interest income on:		
Loans and advances to customers	2,277,763	2,045,326
Investment securities	197,151	162,342
Due from banks	350,671	193,822
Financial assets at fair value through profit or loss	4,786	4,752
Other	6,356	3,565
Total interest income	**2,836,727**	**2,409,807**
Interest expense on:		
Due to customers	1,353,073	1,221,848
Repurchase agreements	20,520	33,254
Deposits from banks	129,443	128,335
Debt securities issued	216,229	130,018
Funds borrowed	480,017	351,848
Other	21,476	2,264
Total interest expense	**2,220,758**	**1,867,567**
Net interest income	**615,969**	**542,240**

NOTE 27 - NET FEE AND COMMISSION INCOME

	1 January- 31 December 2019	1 January- 31 December 2018
Fee and commission income on:		
Letter of guarantee	66,551	51,465
Banking service and credit card fees	63,453	1,876
Insurance	8,715	17,098
Expertise	995	6,707
Money transfers	1,563	1,942
Account management	2,900	1,789
Other	22,229	15,519
Total fee and commission income	**166,406**	**96,396**
Fee and commission expense on:		
Debit cards	9,459	11,562
FX transactions	-	8,499
Correspondent banks	-	2,599
Effective and future transactions	988	1,443
Money transfers	-	990
CBRT Interbank money market transactions	405	726
Clearing Commissions	-	-
Other	5,382	2,620
Total fee and commission expense	**16,234**	**28,439**
Net fee and commission income	**150,172**	**67,957**

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

NOTE 28 - TRADING GAINS AND LOSSES, NET

	1 January-31 December 2019	**1 January-31 December 2018**
Trading securities	-	-
Derivative financial transactions	1,580	(24,209)
Net (Loss)/Income	**1,580**	**(24,209)**

Net trading income from derivative financial instruments includes gains and losses from spot and forward contracts, options, futures, and swaps due to changes in interest rates.

NOTE 29 - IMPAIRMENT LOSSES ON LOANS AND OTHER OPERATING EXPENSES

	1 January-31 December 2019	**1 January-31 December 2018**
12 month expected credit loss (stage 1)	(21,229)	31,720
Significant increase in credit risk (stage 2)	(191,948)	(95,746)
Non-performing loans (stage 3)	543,690	225,796
Impairment losses on loans and credit related commitments, net	**330,513**	**161,770**

	1 January-31 December 2019	**1 January-31 December 2018**
Staff costs	**207,651**	**192,958**
Depreciation on property and equipment (Note 13)	38,117	12,461
Amortisation of intangible assets (Note 12)	13,659	9,926
Depreciation and amortisation	**51,776**	**22,387**
Operational lease expenses	1,041	34,533
Sundry taxes	26,208	17,595
Marketing and advertisement costs	8,677	9,324
Repair and maintenance expenses	2,972	1,748
Losses on sale of assets	4,278	7,560
Other	78,535	57,764
Administrative expenses	**121,711**	**128,524**
Total	**381,138**	**343,869**

Reserve for defined benefit obligation, accrual for unused vacation rights and provision for personnel bonus are included in the staff costs in the table above.

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

NOTE 30 - ASSETS PLEDGED AND RESTRICTED

The Group has the following assets pledged as collateral:

	31 December 2019		31 December 2018	
	Assets	**Related liability**	**Assets**	**Related liability**
Financial assets at fair value through profit or loss (Note 9)	-	-	-	-
Investment securities (Note 11)	123,647	93,595	1,065,290	687,528
Other assets pledged (Note 14) (*)	(214,303)	10,063	306,514	80,543
Total	**(90,656)**	**103,658**	**1,371,804**	**768,071**

(*) Other assets pledged are the collaterals given to the counter parties of the derivative financial instruments and other collaterals given.

Held for trading, available-for-sale and held-to-maturity securities whose total carrying amount is TL 123,647 as of 31 December 2019 (31 December 2018: TL 1,065,290) are pledged to banks and other financial institutions against funds obtained under repurchase agreements (Note 15 and Note 17).

Total amount of funds obtained under repurchase agreements is TL 91,938 of 31 December 2019 (31 December 2018: TL 684,226).

Investment securities at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amount to TL 837,187(31 December 2018: TL 772,147).

At 31 December 2019, the Group's reserve deposits that are not available to finance the Group's day-to-day operations amount to TL 1,244,698 (31 December 2018: TL 755,100).

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 31 December 2019 and 2018.

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognises provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated (Note 20).

In respect of the further claims asserted against the Group ,which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group's financial position.

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

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group:

31 December 2019 (*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	30,466	649,204	-	-	679,670
Letter of guarantees	550,786	5,623,671	8,304	5,887	6,188,648
Acceptance credits	4,114	14,265	-	-	18,379
Other commitments	711,475	-	-	-	711,475
Total	**1,296,841**	**6,287,140**	**8,304**	**5,887**	**7,598,172**

31 December 2018 (*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	-	209,363	336,125	192,473	737,961
Letter of guarantees	4,964,583	3,473	3,298	54	4,971,408
Acceptance credits	-	14,575	4,348	1,599	20,522
Other commitments	567,616	-	-	-	567,616
Total	**5,532,199**	**227,411**	**343,771**	**194,126**	**6,297,507**

(*) Based on original maturities

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

NOTE 32 - SEGMENT REPORTING

The Group is organized into two main business segments which are organized and managed separately according to the nature of the products and services provided.

31 December 2019	Commercial Banking	Investment Banking	Other	Group
Net interest income [1]	561,787	54,182	-	615,969
Net fees and commission income and other operating income	140,945	9,227	-	150,172
(Provisions for) / recoveries from impairment loan receivables [1]	(342,974)	(11,529)	-	(354,503)
Net, Trading gain / loss	13,209	171,453	-	184,662
Other operating expenses [1]	(303,770)	(53,378)	-	(357,148)
Impairment Provision for Loans and Other Receivables (-)[*]	-	-	-	-
Profit before income tax	69,197	169,955	-	239,152
Tax provision	-	-	-	(45,494)
Profit after income tax	69,197	169,955	-	193,658
Non-controlling interest				1
Net profit	**69,197**	**169,955**	**(45,494)**	**193,658**
Asset and liabilities				
Segment assets	18,682,920	9,905,239	1,358,525	29,946,684
Total assets	**18,682,920**	**9,905,239**	**1,358,525**	**29,946,684**
Segment liabilities	17,007,733	6,931,522	3,569,359	27,508,614
Unallocated liabilities	21,298	-	2,416,772	2,438,070
Total liabilities	**17,029,031**	**6,931,522**	**5,986,131**	**29,946,684**

[1] Classification differences with income statement exist since business reporting of the Bank was used.

31 December 2018	Commercial Banking	Investment Banking	Other	Group
Net interest income [1]	657,566	(115,326)	-	542,240
Net fees and commission income and other operating income	87,693	(19,736)	-	67,957
(Provisions for) / recoveries from impairment loan receivables [1]	(162,363)	(53)	-	(162,416)
Net, Trading gain / loss	(6,935)	141,711	-	134,776
Other operating expenses [1]	(318,602)	(25,267)	-	(343,869)
Profit before income tax	**257,359**	**(18,671)**	**-**	**238,688**
Tax provision				(33,790)
Profit after income tax	**257,359**	**(18,671)**	**-**	**204,898**
Non-controlling interest	-	-	-	1
Net profit	**257,359**	**(18,671)**	**(33,790)**	**204,898**
Asset and liabilities				
Segment assets	17,333,130	7,326,500	1,061,420	25,721,050
Total assets	**17,333,130**	**7,326,500**	**1,061,420**	**25,721,050**
Segment liabilities	15,300,347	4,292,600	4,424,675	24,017,622
Unallocated liabilities	204,160	31,666	1,467,602	1,703,428
Total liabilities	**15,504,507**	**4,324,266**	**5,892,277**	**25,721,050**

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

NOTE 33 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, The Group is controlled by Commercial Bank of Qatar owning 100.00% of the ordinary shares.

The Parent Bank's agency agreement with Alternatif Yatırım Menkul Değerler A.Ş. is cancelled on 31 December 2016.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	31 December 2019		31 December 2018	
	Total	**Share in total %**	**Total**	**Share in total %**
Loans and advances to customers, net	437,597	1.46	151,800	0.59
Total assets	**437,597**		**151,800**	
Deposits from customers	45,291	0.15	37,278	0.14
Total liabilities	**45,291**		**37,278**	
Credit related commitments	25,888	0.42	170,025	2.70
Total commitments and contingent liabilities	**25,888**		**170,025**	

(ii) Transactions with related parties:

	31 December 2019		31 December 2018	
	Total	**Share in total %**	**Total**	**Share in total %**
Interest income on loans and advances to customers	6,626	0.22	6,231	0.25
Commission income on credit related commitments	140	0.00	24,727	1.0
Total interest and fee income	**6,766**		**30,958**	
Interest expense on deposits	2,868	0.00	931	3.15
Other operating expense	-	-	-	-
Total interest and fee expense	**2,868**		**931**	

(iii) Balances with directors and other key management personnel:

Salaries and other benefits paid to the Group's key management approximately amount to TL 26,568 as of 31 December 2019 (31 December 2018: TL 29,243).

NOTE 34 - AFTER THE REPORTING PERIOD EVENTS

The ongoing COVID-19 pandemic, which has emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

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