2019 ANNUAL REPORT

75 YEARS

YapıKredi

Annual Report 2019

CONTENTS

YAPI ve KREDİ BANKASI ANONİM ŞİRKETİ
13 MARCH 2020 ORDINARY GENERAL MEETING AGENDA

1. Opening and election of the Chairman of the Meeting,

2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to 2019 and consideration and approval of Annual Activity Report and Financial Statements for 2019,

3. Submission for confirmation by the General Assembly of appointments made by the Board of Directors to fill in the vacancies on the Board of Directors during the past year as per article 363 of Turkish Commercial Code,

4. Clearing of members of the Board of Directors of liability related to activities of the Bank during 2019,

5. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding to amendment to the article 6 of the Articles of Association (titled "Capital") related to increase of the registered capital ceiling and extension of its period,

6. Approval of transactions regarding liquidation by sale of some Bank receivables that are being followed up on Non-Performing Loan accounts and to clear Board members regarding these transactions,

7. Determining the number and the term of office of Board members, electing members of the Board of Directors and independent member of the Board of Directors,

8. Submitting according to Corporate Governance Principles the Remuneration Policy for the Members of Board of Directors and Senior Managers, and the payments made within the scope of the Policy to the shareholders' knowledge and approval of the same,

9. Determining the gross attendance fees for the Members of the Board of Directors,

10. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the Profit Distribution for 2019 created as per the Bank's dividend distribution policy,

11. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the Regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,

12. Submitting according to the regulations of the Capital Markets Board the donations and charities made by the Bank in 2019 to foundations and associations with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations to be made in 2020 in line with the Banking legislation and the regulations of the Capital Markets Board,

13. Granting permission to the shareholders holding the management control, the members of the Board of Directors, the senior managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during 2019 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,

14. Wishes and comments.

Yapı Kredi moves forward with the motto of contributing to the society in every aspect.

Dear Shareholders,

In 2019, global and regional uncertainties bore their impact on all global markets. As the concerns over Brexit and trade wars affected the investors' and consumers' trust, investments and international trade decelerated on a global scale. As a result, with the world economy adopting a stagnation trend, the Fed and the European Central Bank returned to loose monetary policies in an effort to support the economy, thus alleviating the risks in relation to the economy. With respect to the Turkish economy and the Turkish banking sector, 2019 has been a year of structured rebalancing and corrections.

Gradual rate cuts by the Central Bank of the Republic of Turkey (CBRT), strong coordination between financial, monetary and regulatory authorities, and normalizing economic indicators contributed significantly to the recovery process, and allowed to close 2019 as a more positive year by supporting the revival of the economy.

For the banking sector, loan growth followed a slower course due to economic developments and the heavy political agenda in 2019. Total loans expanded by 10% annually to reach TL 2,552 billion with the Credit Guarantee Fund support that was carried on in the first half of the year. The deposits base grew by 22% to TL 2,470 billion. Accordingly, loan to deposit ratio including Turkish Lira bonds improved by 10 points and declined to 100%. The Non-Performing Loans (NPL) ratio increased by 155 bps to 5.2% despite being supported by TL 9.2 billion in NPL sales (creating a 32 basis points impact).

During the economic recovery process in 2019, Yapı Kredi augmented its assets by 10% to TL 411 billion, and preserved its position as the third largest private bank in Turkey in terms of total assets. During the reporting period, the Bank grew its cash and non-cash loans volume by 4% to TL 318.9 billion, and sustained its contribution to the Turkish economy.

Continuing to implement the capital strengthening plan disclosed in 2018, the Bank carried out an Additional Tier-1 issuance of USD 650 million in January 2019. Having marked the first-ever capital that was raised by a Turkish deposit bank through the issuance of bonds with market participation, this transaction once again confirmed the confidence of the principal shareholders and international investors in Yapı Kredi and in our country.

In 2019, Yapı Kredi took important steps also in terms of social responsibility. The Bank continued to support the Science Migration to Anatolia, a social development project initiated by the Young Guru Academy (YGA) to encourage an interest in science for children. In the third year of the project, in which Yapı Kredi Volunteers also participated, the target to reach 5 thousand children in 50 provinces has been achieved. The Bank's support to the "I Read, I Play" Project continued, which is co-conducted with the Educational Volunteers of Turkey Foundation (TEGV) since 2006, to give underprivileged elementary school children the chance to benefit from extracurricular educational activities.

Sustainability remained as an important agenda item for Yapı Kredi also in 2019 Having continued to broaden its sustainable and innovative product portfolio, Yapı Kredi carried out its first green bond issuance in the amount of USD 50 million with a 5-year maturity in January 2020, which will be used for financing renewable energy projects. In addition, as a tangible indicator of the importance it attaches to preservation of wildlife, the Bank has pledged to end the consumption of single-use plastics in all its business lines by the end of 2020 as part of the fight against plastic use.

In addition; on the back of its successful performance in environmental, social and governance areas, the Bank was once again a constituent of the BIST Sustainability Index, and FTSE4Good Emerging Index maintained by the Financial Times Stock Exchange Group in 2019. Yapı Kredi succeeded in being one of 56 companies qualified to be included in the BIST Sustainability Index in November 2019-October 2020 period.

Yapı Kredi's corporate governance rating improved to 9.62 in 2019 from 9.58 in 2018 (on a scale of 10) based on the principles set by the Capital Markets Board of Turkey, thanks to the great emphasis placed by the Bank on corporate governance.

One other important development in 2019 was the signing of share transfer agreement between the two major shareholders and thus, the change in shareholder structure. Having obtained the legal approvals, and the completion of the transaction on February 5th, 2020, 9.02% of shares belonged to UniCredit S.P.A. was acquired by Koç Holding. On February 7th, 2020, UniCredit sold 12% of its shares to the market, hence the free float our Bank's shares increased to 30%. I hereby would like to thank to UniCredit, whom we have shared the major partnership of our bank for 18 years, and wish for favorable outcomes from this transaction, which assured Koç Holding's trust in our bank for our shareholders.

I would like to take this opportunity to thank all our customers who walk by our side along this path Yapı Kredi moves forward with the motto of contributing to the society in every aspect, our shareholders for their reassuring support and all our employees who have helped us get here with their hard work and commitment.

Ali Y. Koç
Chairman

Yapı Kredi's support to drive the development of national economy continued in 2019.

Following the volatilities in global markets, and the activity in the domestic market by the end of 2018, the Turkish economy moved to a process of normalization and structured rebalancing in 2019. Despite the political developments in our geography or across the globe, Turkey was able to avert the negative effects, and regained a positive momentum with respect to economic growth. Normalized economic indicators and the accompanying rate cuts lent contribution to this process and helped the country's economy to recuperate more rapidly.

In 2019, the Bank's TL cash loans grew by 13% annually and increased the total credit volume to TL 229.4 billion. Thus having 16.6% market share in total lending among private banks, Yapı Kredi sustained its support to drive the development of the national economy. Yapı Kredi extended Credit Guarantee Fund loans of TL 12.0 billion in 2019, gaining 8.72% market share within 2019 disbursements. On the deposits side, the volume grew by 10% to TL 231.1 billion, bringing the Bank a 15.2% market share among private banks. The Bank attained 15.7% market share in TL-denominated individual demand deposits, up by 165 basis points. As a result, Yapı Kredi secured strong improvement in the loan to deposit ratio and reported a ratio of 97%.

Yapı Kredi's revenues on basic banking activities grew by 4% in 2019 to reach TL 18.5 billion on the back of consistent income generation performance. While net interest income expanded by 7% in the reporting period, fees and commissions displayed a strong growth with 31% increase in the same timeframe. Meanwhile, thanks to controlled cost management, total costs increased below inflation at 15% (adjusted for pension fund provisions). The Bank booked a gross operating period of TL 12.3 billion.

Within the frame of its strategy to diversify the funding base, an area of great importance for the Bank, Yapı Kredi authored successful external borrowings during the reporting period. The Bank issued a 5-year Eurobond of USD 500 million to international investors in March. The Bank also borrowed from international markets under mortgage-backed securities and diversified payment rights securitization programs with 5 to 8 years maturities. As a result of the confidence held in Turkey, the sector and Yapı Kredi, the Bank secured syndication loans in the amount of approximately USD 2 billion. Our Bank continued to make its customers' lives easier with its new products and services that lead the digital transformation of the banking business in 2019. During the reporting period, the number of active digital customers increased by 17% whereas the number of active mobile banking customers went up by 22%.

Remaining a pioneering bank in social responsibility, Yapı Kredi established the Yapı Kredi Economic Research Desk at Koç University to eradicate the borders between the finance sector and the universities. As an indicator of the emphasis it places on the preservation of ecological balance, Yapı Kredi also became the main sponsor of "Turkey's Soul Small Support" Program run by the World Wildlife Fund-Turkey (WWF-Turkey) in 2019.

In closing, I would like to thank our loyal customers for enabling successful activities in a number of areas and empowering our Bank to charge ahead strongly in line with its principles and strategies, our shareholders for their trust and support, and our employees for their valuable efforts.

Gökhan Erün
CEO

YAPI KREDİ 75 YEARS EXHIBITIONS

Welcome, Gazi: Atatürk's Days in İstanbul (1927-1938)

"Welcome Veteran: Atatürk's Days in İstanbul (1927-1938)'' exhibition reunited the visitors with a complete chronological collection of photographs and stories of Mustafa Kemal Atatürk from the days he spent in İstanbul from 1 July 1927, when he first came to the city after the War of Independence until his death at Dolmabahçe Palace on 10 November 1938.

Curated by Cengiz Kahraman, photographs in the exhibition were all selected from negative films and photographs at Yapı Kredi Historical Archive Selahattin Giz Collection. These historical photographs taken by the photojournalists of that period, Namık Görgüç and Selahattin Giz from Cumhuriyet, Cemal Göral from Son Posta, Faik Şenol from Akşam and Hilmi Şahenk from Tan were presented for the first time with their respective stories compiled from daily newspapers.

Vision

To be the undisputed leader in the finance sector

Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

Strategy

A customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth

Best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns

Turkey's first retail focused private bank with a nationwide presence

Values

Freedom: Yapı Kredi employees express their opinions easily through appropriate and constructive methods; they act in accordance with the Bank's values and contribute to the future of the Bank

Respect: Yapı Kredi employees listen to their customers and colleagues, irrespective of their identities, to understand their needs. They respect the opinion of others and know that their opinions and ideas also count

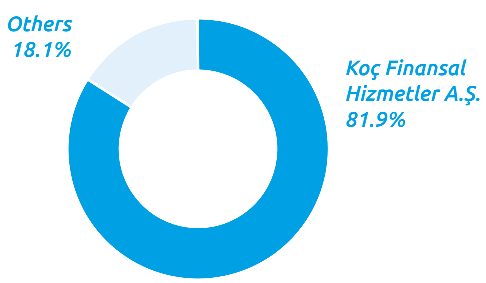
Fairness: Yapı Kredi employees treat their customers, colleagues and the Bank's stakeholders in a consistent manner without seeking personal gain; they make objective decisions and act in accordance with their values while focusing on corporate and social responsibility

Transparency: Yapı Kredi employees share relevant corporate information with their customers, colleagues and other stakeholders in a transparent and timely manner while adhering to the Bank's confidentiality principles and ensuring accessibility; they express their opinions with the same degree of transparency

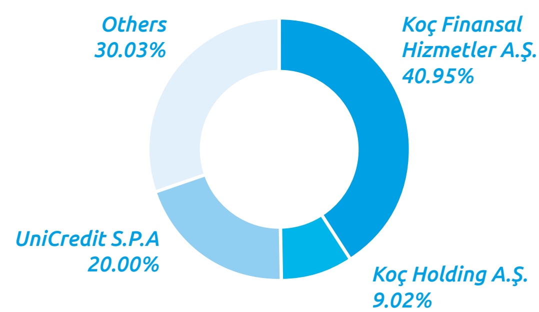
Trust: Yapı Kredi employees build relationships based on trust with all relevant parties utilizing their banking knowledge, skills and commitment to corporate values; they trust those that they grant responsibility and authority to. Consistent with the Bank's corporate values, Yapı Kredi employees keep their promises in a timely and accurate manner. They take responsibility for their customers' problems, find rapid solutions and follow up on the results.

Shareholder Structure

As of 31.12.2019



As of 14.02.2020



Shareholder's Title	*Share Amount (TL)*	*Share Amount (%)*
Koç Finansal Hizmetler A.Ş.	6,918,131,285.23	81.9
Others	1,528,919,998.77	18.1
Total	**8,447,051,284.00**	**100.00**

Shareholder's Title	*Share Amount (TL)*	*Share Amount (%)*
Koç Finansal Hizmetler A.Ş.	3,459,065,642.23	40.95
Others	2,536,378,038.77	30.03
Koç Holding A.Ş.	762,197,343.00	9.02
UniCredit S.P.A	1,689,410,260.00	20.00
Total	**8,447,051,284.00**	**100.00**

As a result of the transfer of shares on 5 February 2020, within the context of share purchase agreements regarding the Bank and KFS shares, signed by the Bank's direct and indirect shareholders UniCredit S.P.A., Koç Holding A.Ş., KFS and shareholders of KFS; 100% of the shares representing KFS share capital were transferred to Koç Group (Koç Holding, Koç companies, Koç Family, and related foundations controlled by Koç Family) pro-rata their shareholdings in KFS.

Koç Holding, who did not hold any direct shares in Yapı Kredi share capital before the transaction, currently has 9.02% of Yapı Kredi share capital whereas UniCredit directly has 31.93%. Accordingly, Koç Group's direct and indirect stake in Yapı Kredi (previously at 40.97%) increased by 9.02%. Yapı Kredi and its subsidiaries, previously a joint venture of Koç Holding and UniCredit before the transaction, have become subsidiaries after the transaction.

Additionally, on 6 February 2020, UniCredit S.p.A. has announced at Public Disclosure Platform that they completed sale of Yapı Kredi shares in their ownership representing ca.12% of the Bank's share capital through accelerated bookbuilding to qualified institutional investors and that transaction settlement completion is expected to be on 13 February 2020. As a result of this sales transaction, UniCredit S.p.A.'s ownership at Yapı Kredi has reduced to 20% and the Bank's free float increased to 30.03%

History

Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. In 2006, legal merger of Yapı Kredi and Koçbank (together with the two banks' core subsidiaries operating in the same sectors) was completed. In 2007, the segment based service model was completed and the launch of branch expansion started. In 2009, due to the global economic crisis, the branch expansion was suspended temporarily, while tight cost management and efficiency efforts executed. In 2013, capital base was strengthened and the Bank continued effective liquidity management via balanced growth in loans and deposits. In 2015, the Bank focused on digital banking. In 2017, the Bank focused on value-added fields and products, while continuing efficiency improvement with ongoing cost management. In 2018, the Bank continued prudent asset quality management while focusing on efficient liquidity management and capital structure strengthening. The Bank aimed reducing the concentration in lending and deposits, spreading out with smaller tickets, and focused on transaction banking in commission generation.

1944

Establishment
Yapı Kredi, Turkey's first retail focused private bank with a nationwide presence, was established

1946

Tradesmen loan was extended followed by other sector-specific loans

1950s

Strengthened Market Position

1960s

Children's Banking
With children's accounts, Yapı Kredi expanded the coverage of deposit banking and introduced children to banking services

1984

First Online Application in Banking
Turkey's first inter-branch online banking application was launched

1985

Foundation of Corporate Banking
Yapı Kredi has been the first to initiate corporate banking services under the name Wholesale Commercial Banking

1986

Yapı Kredi Bonds Go Cross-border
Yapı Kredi has been the first Turkish bank whose bonds and certificates were traded on international capital markets

1987

Cross-border Online Connection
Yapı Kredi has been the first bank to establish online connection with overseas representation offices

1988

First Consumer Loan
Turkey's first consumer loan was extended

1988

First Overdraft Credit Card
Yapı Kredi Visa Classic Card has been Turkey's first overdraft credit card

1989

First Auto Loan
Turkey's first auto loan was extended

1998

Teletel
24/7 telephone banking made available all over Turkey

1990's

Shopping point system and installment shopping were commenced in credit card products

The first Turkish bank to be awarded ISO 9001 Quality Certification

2000

TeleWAP
Turkey's first mobile banking branch

2006

Biggest Merger in the Turkish Banking Sector
Resulting from the merger of Koçbank, the 8th largest bank (an associate of Koç Finansal Hizmetler; which is a 50-50 joint venture by Koç Holding and UniCredit) with Yapı Kredi, 7th largest bank, Yapı Kredi became the 4th largest private bank

1964

First Collective Agreement
The first collective bargaining agreement in banking was signed

1967

First Computer in Banking
Yapı Kredi introduced computers into the Turkish banking industry

1975

Yapı Kredi has been the first bank to receive authorization for maintaining foreign currency position in Turkey

1980

Yapı Kredi was acquired by Çukurova Holding

1987

Listing
Yapı Kredi stock was quoted on İstanbul Stock Exchange

1988

Telecard
Turkey's first debit card was issued

1988

Foundation of Individual Banking
A number of firsts were introduced in Turkey in keeping with "Active Banking" concept.

1988

Tele-24
All financial needs of customers began to be fulfilled by ATMs

1991

WorldCard
WorldCard that is accepted worldwide was launched

1991

Telephone Banking
First telephone banking service was initiated

1991

First POS Device
Turkey's first POS device was put to use

1992

Overdraft Account
Overdraft Account, a revolutionary step in the Turkish banking sector, was introduced

2009

Turkey's First iPhone Application
The first financial app in Turkish developed for iPhone was introduced

2018

Capital Increase
The paid-in capital of Yapı Kredi was raised by TL 4.1 billion to TL 8.45 billion

2019

The First Additional Tier-1 Issuance within Turkish Deposit Banks
Additional Tier-1 issuance of USD 650 million was carried out

2020

Change in Shareholding Structure (05 February 2020)
The shareholding agreement between Koç Holding and UniCredit ended

Increased Public Floatation (13 February 2020)
The free float ratio of Yapı Kredi went up to 30% upon UniCredit's sale of shares

Economy

In 2019, geopolitical uncertainties and protectionist policies persisted in global markets, in connection with which slowdown in global growth and trade conflicts endured. All national central banks have taken numerous steps in an effort to save the world from the creeping stagnation trend. The effects of the measures adopted made their impact on developed and developing countries. The latest developments in global markets, coupled with the decisions made by the Fed and the European central banks supported the demand for the financial assets of developing countries and risk appetite, and contributed to the positive course of 2019. Three rate cuts implemented by the Fed, representing a stance contrary to the anticipations at the onset of the year, made one of the highlights of the year in terms of global macroeconomic developments.

In Turkey, the Central Bank of the Republic of Turkey (CBRT) sustained its tight interest rate policy stance in the first half of 2019, and took the necessary measures for the dominant high inflation levels. As it has become definite that the recovery process of inflation would be permanent and with the continued supportive effect of global markets, the CBRT applied front-loaded rate cuts and curbed the policy rate from 24% to 12% by a cumulative decrease of 1,200 points in the second half of the year. The CBRT's steps in relation to the policy rate, the rebalancing process of the Turkish economy and the stable course of the local currency backed the downturn in market rates. Having started 2019 with respective rates of 19.7% and 20.3%, the benchmark bond rate and inflation rate ended the year at 11.8%. As interest and inflation rates declined during the reporting period, economic activity recovered gradually. Having contracted by 2.3% and 1.6% in the first and second quarters of the year respectively, the Turkish economy registered 0.9% growth in the third quarter. Lead indicators point that the recovery in economic activity will be even stronger in the last quarter of 2019. Economic recovery that was observed particularly in the last quarter of 2019 is expected to continue and further gain speed in 2020.

The rebalancing process during the course of the year contributed to the positive levels witnessed in the current accounts balance during the year. Although current accounts balance is anticipated to produce a deficit in 2020 with the initiation of economic recovery and revival of demand, the New Economy Program (NEP) states that the deficit will be kept at a level that will ensure a reasonable external financing need.

In 2019, the budget deficit expanded by 70% year-over-year and amounted to TL 123.7 billion, because of the rise in revenues that was below the rise in expenditures with the effect of the decelerated economic activity. The NEP stated that the budget facilities will be utilized in order to support economic growth in the coming period as and when needed, but that in any case the ratio of budget deficit to national income will be kept below 3%.

In addition to all these, regulatory changes implemented by legal authorities have also taken place among the important events of 2019. New Credit Guarantee Fund packages were announced in an effort to drive economic growth, along with a few steps to keep individual consumption alive, including increased number of installments for retail loans, decreased minimum payment amount for credit cards, decrease in maximum interest rates applied to credit cards, and limitation on commission rates applied to member merchants. Moreover, the CBRT made active use of the required reserves mechanism throughout the year. This mechanism is anticipated to remain as an important tool also in 2020.

Lead indicators point that the recovery in economic activity will be even stronger in the last quarter of 2019.

The Banking Sector

Having undertaken an important part in economic rebalancing, the banking sector successfully fulfilled this role in 2019. The sector's liquidity ratios were maintained at strong levels while the growth rate of balance sheets continued in a controlled manner. Total assets available to the sector as at end-November were up by 12% to top TL 4 trillion. TL loans were revived, especially upon initiation of rate cuts, and grew 16% as compared with year-end 2018. In the reporting period, the deceleration in long-term investments and rebalancing efforts of the private sector that was suffering from elevated FC positions led to continued contraction in FC loans. The revival in lending is anticipated to continue in 2020. In addition, deposits that make the greatest funding source of banks went up by 22% as compared to year-end 2018. Hence, the sought-after and awaited balancing in loan-to-deposit ratio (including TL bonds) was captured, which declined from the order of 110% to 100% in 2019.

Having undertaken an important part in economic rebalancing, the banking sector successfully fulfilled this role in 2019.

The volatilities in financial markets in 2018 and their repercussions on the economy persisted also in 2019. While restructured loans and NPL showed increases, the NPL ratio picked up, and credit risk somewhat increased further. Moreover, actions were taken to keep the asset quality at manageable levels, and restructuring was completed for large conglomerates. In the process, the main priority for the entire sector was generating a solid balance sheet and robust capitalization. In 2019, capital adequacy ratios were further consolidated and capital increases and extension of subordinated loans increased. Dividends were not distributed from out of 2018 profits, further reinforcing the shareholders' equity. Capital adequacy ratio continues to remain well above the regulatory limits; 16.9% at the onset of the year, this ratio reached 18.0% as at the end of 2019.

The main priority for the entire sector: a solid balance sheet and robust capitalization

Yapı Kredi has been sustainably strengthening its market positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the 3rd largest private bank in Turkey with total assets worth TL 411 billion as of the end of 2019. Constantly seeking to increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi enlarged the volume of its total cash and non-cash loans by 4% in 2019 to TL 319 billion. Thus, Yapı Kredi maintained its position in third place among private banks in this respect.

The Bank serves its customers with its 846 branches covering all regions of Turkey and 16,631 employees. Yapı Kredi delivers its products and services via its advanced Alternative Delivery Channels (ADCs) that comprise 4,330 ATMs, innovative internet banking, leading mobile banking, 3 call centers and approximately 709 thousand POS terminals. 94% of the Bank's transactions went through non-branch channels as at year-end 2019.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through retail banking (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems, private banking and wealth management), as well as corporate and commercial banking. The Bank's operations are supported by domestic subsidiaries in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Malta and Azerbaijan.

TL 319 billion contribution to the economy

Total Assets

411.2
TL billion
+10%

Total Core Banking Revenues

18.5
TL billion
+4%

Liquidity Coverage Ratio

190%
+54 points

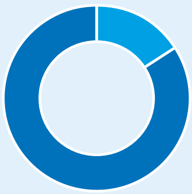
Cost/Income Ratio

37.5%

Net Profit

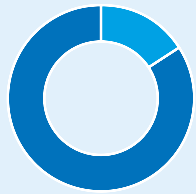
3.6
TL Billion

Loans[1)]



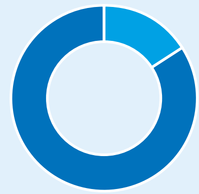
Market Share 16.6%

Customer Deposits



Market Share 15.2%

Credit Cards Volume



Market Share 18.7%

Total Loans (Cash)

229.4 TL billion

+4%

Loans/Assets

56%

Customer Deposits

226.0 TL billion

+13%

Deposits/Assets

55%

Number of Credit Cards

11.9 million

Historical leadership in credit cards

Loans[(1)]/Deposits Ratio[(2)]

97%

Shareholders' Equity

41.2 TL billion

Tier-1 Ratio

13.7%

+227 bps

Return on Tangible Equity

9.4%

Cost of Risk

3.12%

+23 bps

Capital Adequacy Ratio

16.7%

+192 bps

[(1)] *Performing, cash loans.*
[(2)] *Including TL Bonds*

	Market Share (sector)	Ranking (sector)
Total Bank		
Total Loans (Cash + Non-Cash)	9.4%	5
Deposits	9.0%	7
Distribution Network		
Personnel[1]	8.8%	6
Branch[1]	8.3%	6
ATM	8.5%	5
Retail Banking		
Credit Card Outstanding	18.7%	1
Credit Card Acquiring	18.6%	1
Number of Credit Cards	17.1%	1
Consumer Loans	8.2%	6
General Purpose Loans	10.0%	5
Corporate and Commercial Banking		
Leasing Receivables	20.3%	-
Factoring Turnover	15.2%	-
Cheque Clearing	11.2%	2
Private Banking and Wealth Management		
Mutual Funds	13.2%	3
Equity Transaction Volume	12.1%	1

[1] Bank only employee number: 16,631; Bank only branch number: 846
Calculations are based on BRSA weekly data as of 27 December 2019 and BRSA monthly data as of December 2019

Volumes	***2018***	***2019***	***Change***	
Assets (TL billion)	373.4	411.2	10%	
Cash + Non-Cash Loans (TL billion)	306.3	318.9	4%	
Cash Loans (TL billion)	220.5	229.4	4%	
TL Cash Loans (TL billion) [1; 2]	117.3	132.6	13%	
Customer Deposits (TL billion)	199.9	226.0	13%	
TL Customer Deposits (TL billion)	86.9	99.5	14%	
Profitability				
Revenues (TL million)	20,037	21,229	6%	
Operating Expenses (TL million)	6,685	7,664	15%	
Net Income (TL million)	4,668	3,600	-23%	
Return on Average Tangible Equity [3]	14.2%	9.4%	-481	basis points
Return on Assets	1.4%	0.9%	-43	basis points
Cost/Income Ratio	33%	36%	274	basis points
Capital and Liquidity				
Capital Adequacy Ratio (Bank Only)	14.8%	16.7%	192	basis points
Tier-1 Ratio (Bank Only)	11.4%	13.7%	227	basis points
Loans / (Deposits + TL Bills) (Bank Only)	104.2%	97.1%	-708	basis points
Asset Quality				
Non-Performing Loans Ratio	5.3%	7.4%	204	basis points
Provisions / Gross Loans [4]	6.1%	7.2%	113	basis points
Cost of Risk[5]	289	312	23	basis points

Notes:
All data based on consolidated financials unless otherwise stated
"Basis points" indicates difference between ratios
[1] Performing cash loans
[2] Excluding FX-indexed loans
[3] Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006
[4] Including specific and general provisions
[5] Based on unconsolidated financial statements. The ratio of total loan impairment provisions to total gross loans excluding collections; Adjusted for FX hedge on ECL.

2019 AWARDS

Category/Ranking		***Organization***
General Banking		
Yapı Kredi	Domestic Best Service	Euromoney Trade Finance Survey 2019
	Best Retail Banking Turkey	Global Banking & Finance Awards 2019
	Best SME Banking	
	Best Private Banking	
	"Best Digital Bank Turkey" Country Winner	Global Finance
	"Best Digital Corporate Bank Turkey" Country Winner	
	"Digital Bank with Best Bill Payment and Presentment in Europe" Regional Subcategory Winner	
	"Digital Bank with Best Open Banking APIs in Europe" Regional Subcategory Winner	
	"Corporate Digital Bank with Best Online Treasury Services in Europe" Regional Subcategory Winner	
	"Business or Competitive Intelligence Solution" Bronze	Stevie
	Achievement in Customer Excellence/Private Banks Category - Gold	Şikayetvar.com - A.C.E Awards 2019 (Achievement in Customer Excellence)
1915 Çanakkale Bridge and Malkara-Çanakkale Highway Project	Project Finance Deal of the Year – 1st Prize	Bonds&Loans Awards Turkey
1915 Çanakkale Bridge and Malkara-Çanakkale Highway Project	Infrastructure Finance Deal of the Year – 1st Prize	
Ankara-Niğde Highway Project	Transport Finance Deal of the Year - 1st Prize	
Akfen Renewable Energy Syndicated Loan Transaction	ECA/Export Finance Deal of the Year – 1st Prize	
Menzelet Kılavuzlu HEPP Project	M&A/Acquisition Finance Deal of the Year- 1st Prize	
FOCA Project	EFMA Accenture Innovation of the Month Award	EFMA Accenture Distribution & Marketing Innovation Awards
Alternative Delivery Channels		
Customer Relations Center	Best Use of Technology / Silver Stevie	Stevie
Call Center	'Best Call Center with 500+ Seats'	IMI – Turkey Call Center Awards
	'Best Technology'	
	'Best Training Program'	
Yapı Kredi Mobile	Do Not Panic Button - "Product and Service Innovation Category", "Banks" 1st Prize	Sardis Awards
	"Mobile Sites & Apps / Banking"	Stevie
	"Best User Experience" / Award of Distinction	The Communicator Awards
	"Integrated Mobile Experience"/ Award of Distinction	
	"Best User Interface"/ Award of Distinction	
	"Best Visual Design - Function"/ Award of Distinction	
	"Best Visual Design-Aesthetic"/ Award of Distinction	
	"Best Practices"/ Award of Distinction	
	"Experimental & Innovative" / Award of Distinction	
yapikredi.com.tr	"Websites Awards / Banking" Bronze	Stevie
	"Websites Awards / Financial Services" Bronze	
	"Banking / Bill Paying" / Award of Excellence	The Communicator Awards
	"User Experience"/ Award of Distinction with yapikredi.com.tr	
	"User Interface" / Award of Distinction	
	"Web Site-Features-Best Practices"/ Award of Distinction	
Yapı Kredi WhatsApp	Operating Model Master Category – 3rd Prize	IDC Turkey Digital Transformation Awards
Yapı Kredi API Platform	Talent Accelerator Category – 1st Prize	
Yapı Kredi WhatsApp Support Line	"Artificial Intelligence / Machine Learning Solutions" 1 Silver Stevie	Stevie
Remote Account Opening with Video Call	"Best New Product/Service of the Year/Financial Services" Bronze	

YKY Screen Time	"Sales Point Window/Exterior"	IMA
	"Sales Point Renovations "	
	"Direct Marketing Activities"	
	Mobile Platform Usage - Felis Award	Felis Awards
	Direct Marketing Activities Using Digital Platform – Achievement Award	
	Paradigm Changers (New Media) – Achievement Award	
	Use of Data-Based Insight – Achievement Award	
	Creative Use of Mobile Technology – Achievement Award	
	Social Responsibility / Culture and Arts- Achievement Award	
	Data-Driven Creative Direct Marketing – Achievement Award	
	Social Data and Insight: Crystal	Crystal Apple
	Figital Projects Category - Prida Award	Prida
	Data Use Category – Certificate Award	
Corporate Communications Management		
May 19th PUBG Procession	Branded Content & Entertainment Product Placement or Brand Integration in E-Sport Games - Felis Award	Felis Awards
	Live Brand Experience and Promotion Practices (B2C) - Felis Award	
	Current Event-Oriented Marketing Activities – Achievement Award	
	Sports Communication – Achievement Award	
	Celebrity or Influencer Integration in Social Media – Achievement Award	
	Product Placement and Brand Integration in Digital Games – Achievement Award	
	Digital Platform Use – Achievement Award	
	Innovative Media	IMA
	Sports Communication	
	Occasion Communication Category - Prida Award	Prida
	Game-Changer Project Category - Prida Award	
Colorful Pens	Long-lived Communication Category (5 Years and longer) - Prida Award	Prida
Yapı Kredi Image Campaign	"Conventional Brand Communication "	IMA
Afife Awards – Sponsorship Management	Felis Award – Award of Achievement	Felis Awards
Let's Remove Obstacles Initiative	Social Responsibility and Sustainability Category Outdoor Media – Award of Achievement	
Flugtag Live Meme Project	Real-Time PR Activities – Award of Achievement	
"Science Migration to Anatolia" Advertising Film	"Positive Social Impact Category" - "Corporate Social Responsibility" Category / 1st Prize	Sardis Awards
Afife Award Ceremony Video Mapping	"Corporate Communication Category" - "Event Management" Category / 1st Prize	
Yapı Kredi Digitalent Young Talents Program Commercials	"Integrated Communication Segment"- "Banks" Category / 1st Prize	
YouTube films for Silicon Valley Trip Draw from Yapı Kredi	"Digital Marketing Segment"- "Banks" Category/ 2nd Prize	
Subsidiaries		
Yapı Kredi Faktoring	"Best Export Factoring Company"/ 2nd Prize	Factors Chain International (FCI)
Yapı Kredi Leasing	Turkey's Best Leasing Company	Global Banking & Finance Awards
Yapı Kredi Asset Management	Best Pension Fund Manager – Turkey, 2019	International Investor
	Best Portfolio Manager – Turkey 2019	
	Best Portfolio Manager – Turkey 2019	Global Brands Magazine
	World Finance Pension Funds Awards / Best Pension Fund / Turkey 2019	World Finance
	Business Excellence Award	The bizz Awards
Yapı Kredi Invest	Leader in Borsa İstanbul Equity Market Trading Volume	Turkish Capital Markets Association, Capital Markets Awards
	Leader in Market Share Increase in Borsa İstanbul Equity Market	
	Leader in Borsa İstanbul Derivatives Market Trading Volume	
	Leader in Market Share Increase in Borsa İstanbul Derivatives Market	
	"Websites Awards / Financial Services" Silver	Stevie
Yapı Kredi Invest - World of Investment	"Best New Product/Service of the Year / Financial Services" Silver	
Yapı Kredi Teknoloji	'University & Industry Cooperation' in 'Middle Scale Companies' / 1st Prize	Beetech Awards
	'National and International Supports' in 'Middle Scale Companies' / 1st Prize	

YAPI KREDİ 75 YEARS EXHIBITIONS

Colors from Yapı Kredi Collection

Yapı Kredi brought together art lovers at Bursa, İzmir and Antalya with a significant selection from Yapı Kredi Collection which was established in 1954 with an objective of protecting culture and arts and conveying them to future generations.

Art works of pioneers of Turkish paintings, Osman Hamdi Bey, İbrahim Çallı, Neşet Günal, Cevat Dereli, Nejat Melih Devrim and Ferhat Özgür were exhibited within the scope of these exhibitions called ''Colors from Yapı Kredi Collection''. The exhibition had landscapes, still-life paintings, abstract and current art works from painters with different styles as well as photographs from Selâhattin Giz Collection which were taken by photojournalists of the period, including great leader Mustafa Kemal Atatürk's photographs.

The sub-segments of the new service model: Individual, Individual Portfolio, Blue Class and Private Banking

Yapı Kredi updated its service model in the Retail Banking business line in the second half of 2019.

Retail Banking

Retail Banking includes Card Payment Systems, Individual Banking, Private Banking and Wealth Management and SME Banking

In line with its customer-focused banking approach, Yapı Kredi updated its service model in the Retail Banking business line in the second half of 2019. Accordingly, the Bank has begun to offer services that are more tailored to customer needs in the Individual, Individual Portfolio and Blue Class sub-segments. Private Banking service center was preserved as-is. Within the scope of the new service model, a customized service is provided to the business owner customers through the Business Portfolio Managers located at the branches. SME and Medium-Sized Businesses (ME) Banking segments have been refined to increase the efficiency of these segments.

Individual / Individual Portfolio: Customers in the Individual Portfolio segment with savings and higher loan requirements are provided with customized services through Individual Consultants at branches. This new segment is designed for customers in between Individual and Blue Class. While providing customer satisfaction with a model based on a one-to-one relationship with customers in this segment, faster services are provided to customers with daily banking transaction needs in the Individual segment.

Breakdown by Business Unit

Revenues	*Loans*	*Deposits*
49%	*39%*	*67%*

Subsidiaries

Yapı Kredi Invest

Yapı Kredi Asset Management

A new service model that is more tailored to customer needs

Blue Class: In the Blue Class segment, which was established to provide special services to customers with investment needs, it is aimed to provide the best investment service suitable for each investor profile. In line with this target, the Bank provides investment services with the contribution of its subsidiaries Yapı Kredi Invest and Yapı Kredi Asset Management. Customers can access Blue Class Investment Services through all channels, and customers in this segment are also provided with direct consultancy services from Yapı Kredi Invest and Yapı Kredi Asset Management.

Private Banking and Wealth Management: Serves customers with total financial assets above TL 500 thousand.

Business Banking: The Business Banking segment, established to provide solutions to business owners with a dynamic business structure, responds to all financial needs of business owners regarding their individual and commercial activities through Business Portfolio Managers at branches.

SME/ME Banking: SME/ME Banking serves companies with an annual turnover of less than TL 25 million. Massive risk management approach is followed in SME and ME segments.

Corporate and Commercial Banking

Serves companies with annual turnover more than TL 25 million, sub-segmented under Commercial Banking (between TL 25-500 million) and Corporate Banking (over TL 500 million)

Breakdown by Business Unit

Revenues	*Loans*	*Deposits*
39%	61%	33%

Subsidiaries

- Yapı Kredi Leasing
- Yapı Kredi Faktoring
- Yapı Kredi Nederland
- Yapı Kredi Azerbaijan
- Yapı Kredi Malta

Notes:

Business units account for 86% of total revenues. The remaining 12% of revenues is attributable to treasury and other operations.

Yapı Kredi's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing, Yapı Kredi Technology as well as Allianz Yaşam ve Emeklilik.

Profile	
Credit Cards	***11.9 million***
Debit Cards	***11.7 million***
Member Merchants	***544 thousand***

Positioning	***Market Share***
Credit Card Outstanding	***18.7%***
Credit Card Issuing	***18.3%***
Commercial Credit Card Outstanding	***21.6%***
Credit Card Acquiring	***18.6%***
Number of Credit Cards	***17.1%***

Products and Services

Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, World Business, Debit cards (TLcard, Play TLcard, Business TLcard), Desktop POS, Mobile POS, Contactless POS, ADSL POS, Cash Register POS, Virtual POS, Mail Order, World Mobile, Prepaid Cards (World Cash, Play Cash, World Cash Virtual), Mobile Payment, Payment with QR Code, Payment from Inside the Car)

Long-standing sector leadership

Yapı Kredi has been the leader in card payment systems since 1988 with World, its main credit card brand. The Bank further strengthens its leadership position gradually with a focus on always exceeding customer expectations and leading the sector in terms of innovation in card payment systems.

In 2019, Yapı Kredi maintained its innovative approach in card payment systems and leading position in the sector with over 11.9 million credit cards.

According to the 2019 Nilson Report, Yapı Kredi's credit card program World sustained its leadership in Continental Europe and ranked the fifth largest credit card program in Europe. Globally, Yapı Kredi takes the 59th spot in terms of the size of card payment systems.

In spite of the intense competition and challenging market conditions, Yapı Kredi retained its undisputed and long-standing leadership position in total credit card outstanding volume and displayed a strong growth in profitability in 2019.

The leader in card payment systems for 31 years

Credit card outstanding volume

29.1

TL billion

POS volume

178.1

TL billion

Throughout the year, the Bank focused on new customer acquisition, lasting customer relations, cost reduction and increased cross-sales efforts while maintaining a disciplined approach to installments and loyalty points.

In 2019, Yapı Kredi was the sector's leader in credit card outstanding volume and acquiring volume with TL 29.1 billion and TL 178.1 billion, respectively.

Targeting to continually offer innovative solutions to card users

In 2019, Yapı Kredi carried out numerous innovative and customer-focused projects to further strengthen its market position and boost customer satisfaction. Highlights of these projects are summarized below:

- The Bank kept implementing new approaches in data analysis to better understand the usage behavior of card holders and thereby present more effective and tailored offers for them.
- The Bank launched a capability on World Mobile app enabling card applications, in addition to the available options of card applications via Yapı Kredi Mobile, yapikredi.com.tr and social media.

- Thanks to the Payment via QR Code on POS launched following unification of all its digital payment solutions under the Yapı Kredi Pay umbrella by the Bank that leads the digital transformation of card payment systems, card customers are now able to make their payments at the stores using their iOS or Android mobile phones.

- In addition to the project to relaunch Yapı Kredi Wallet application under the World Mobile brandname carried out in 2018, the new user-friendly interface of World Mobile was further improved by early 2019. Customers continued to enjoy numerous capabilities, including campaign offers in connection with the customer's spending habits and location data, tracking campaign gains, querying card details, card application and limit increase, Do Not Panic button enabling temporary suspension of cards, managing card authorizations and Yapı Kredi Pay digital payment solutions.
- Facilitating and accelerating credit card purchases of customers, Yapı Kredi retained its leadership in the number of contactless cards issued and retail volume, with the contactless feature of cards that shorten cash register transactions and increase shopping circulation at member merchants. Also, communication activities and campaigns were conducted in relation to the use of contactless cards in transportation.

- In line with the motto the "Digital Bank of Turkey", the Bank enabled easy and quick application for World Business card offering privileges in commercial life for SME customers via Corporate Mobile Branch in addition to the available options of Yapı Kredi Corporate Internet Banking and Customer Relations Center in 2019.
- In an effort to increase the card usage habits of cardholders in, and to acquire new cardholders for, the affluent portfolio, the array of hotels, restaurants and cafés was expanded and agreements were made with the prestigious brands in Turkey.

Pioneering member merchant network

In 2019, Yapı Kredi consolidated its pioneering position in member merchant business with its wide range of innovative products.

In 2019, Yapı Kredi consolidated its pioneering position in member merchant business with its wide range of innovative products

Despite the hardships that dominated the markets due to volatile interest and exchange rates, Yapı Kredi maintained its approach focused on customer satisfaction through more than 80 campaigns per month offered via 544 thousand member merchants.

In 2019, the Bank sustained its positive performance in member merchant business, while also steering the sector with pioneering steps:

- Priority was given to transformation and technological developments in digital channels associated with member merchants. Accordingly, Yapı Kredi member merchants are now able to get payments using the QR codes created on POS screens even if Yapı Kredi card customers do not have their cards with them.
- Cooperation continued with three banks with which there is a World License agreement, thus expanding the World Loyalty Program.

Yapı Kredi maintained its approach focused on customer satisfaction through more than 80 campaigns per month offered via 544 thousand member merchants.

Outlook

2020 goals of Yapı Kredi with respect to card payment systems include the following:

- Increasing digital channel usage rate both by card customers and POS customers on the back of enhanced customer experience on digital channels
- Digitalizing customers' card usage habits through World Mobile, and pioneering the digital transformation in the world of cards by ensuring satisfaction of all their needs before, during and after purchases
- Adding new options to new generation digital payment solutions provided under Yapı Kredi Pay roof, and delivering a fast and easy payment experience to customers
- Expanding the customer base of World Cash prepaid card developed to cater to customer needs, which allows cash withdrawal and spending limited to the amount deposited to the card, without necessitating a credit line or bank account

Profile	
Branches	***769***
Portfolio Managers	***1,491***

Positioning	***Market Share***
Consumer Loans	***8.2%***
General Purpose Loans	***10.0%***
Mortgages	***5.7%***
Auto Loans	***12.0%***
Individual Deposits	***8.6%***
Individual Time Deposits	***8.9%***
Individual Demand Deposits	***7.8%***

Products and Services

With its strategy that focuses on the customer, Yapı Kredi offers its customers a wide range of value-creating products and services with its Individual and Blue Class sub-units in the Retail Banking business line.

- ***Deposits:*** Time Deposits, Demand Deposits, Flexible Time Deposits, Fund Deposits, Gold Deposits, 5D Deposits, Inflation Indexed Deposits, Employee Term Account, Housing & Dowry Account.
- ***Loans:*** General Purpose Loans, Individual Flexible Accounts, Mortgage Loan, Mortgage Loan, Home Improvement Loans, Auto Loans, FordFinans Auto Loans, Installment Payment System for Schools (TEST),
- ***Individual Payments:*** Bill Payments, Regular Payments, Rent Payments
- ***Insurance:*** Health Insurance, Life Insurance, Elementary Insurance, Private Pension
- ***Investment Products:*** Funds, Stocks, Bills, Snowballs, My First Money, Cumulative Products
- Safe Deposit Box, Gold Days (Scrap Gold), Findeks Package, Product Bundles

Individual Banking

Having continued to grow in Individual Banking in terms of revenues and active customers in 2019, Yapı Kredi offers service via its branches, the Call Center and all digital channels.

The Individual Portfolio segment was launched in July 2019, with a new game plan designed with a higher customer satisfaction strategy.

Approximately 1 million customers, which are determined by taking credit products and customer assets into consideration, started to be served with 1,491 individual consultants in 769 branches under the umbrella of the Individual Portfolio segment. In addition to the experienced and competent sales team at the branches, the Yapı Kredi's Remote Service Model, launched in June 2018, also provides services to Individual Portfolio customers with 46 Central retail consultants.

Yapı Kredi launched a number of projects in line with its strategy of digitalizing its sales processes and customer experience. In this respect, Yapı Kredi secured 17% expansion in the number of active customers and 22% rise in the number of active mobile banking customers. Use of mobile banking within active digital customers reached as high as 92%.

Share of digital channels

97%

in non-cash transactions

Sales penetration

58%

through digital channel

In non-cash transactions, the share of digital channels reached 97%, and product sales penetration through digital channels maintained its rise in 2019, reaching 58%. 52% of financial transactions are being performed via our digital channels excluding ATM.

The service introduced at the end of 2018 that allows consumers to become Yapı Kredi customers via Yapı Kredi mobile, without visiting a branch. The service was expanded in line with customer needs.

Yapı Kredi secured 17% expansion in the number of active customers and 22% rise in the number of active mobile banking customers.

With this development, customers who could not use digital channels due to lack of information and documents were given the opportunity to complete their information by video call. Thanks to the "digital product sales service model in branches" launched in 2017, as of the end of 2019, approximately 45 products and services are offered at the branches with paperless, unsigned sales processes and digital approval via tablets. With this service model, 34 million papers were saved in 2019 and 54 minutes of time per customer representative were saved. As an example, 96% of consumer loan sales and 98% of customer and account openings in branches are easily completed with digital approval. The Bank aims to share the digital transformation model initiated at the branches outside the branch with tablets and to include customers in digital transformation at every point. With the tablets distributed to portfolio managers and sales teams, the services provided to the customers in the branches are also provided outside the branches by providing mobility outside the branch. In addition to having tablets and touch screens in every branch, customers can easily complete their product sales approvals with Yapı Kredi Mobile via their mobile phones. In this way, product sales can now be made completely digital at any point.

In 2019, the deposits of Individual Banking customers increased by 31%. While the bank continued to grow rapidly in TL deposits; TL Demand Deposits grew by 59%, and Time Deposit volume increased by 24%

One of the basic products the Bank focused on is individual general purpose loans presented for various needs of customers.

Thanks to the economic recovery, deferred customer demand and falling interest rates in the last quarter of 2019, the sector loan volume increased by 26%. Yapı Kredi, on the other hand, gained a market share of 40 basis points with a growth of 32%, bringing its market share from 9.6% to 10% among private banks.

As part of the digitalization efforts, as of the end of 2019, almost all of the loans extended from the branch received digital approval for credit documents. In addition, in order to increase customer satisfaction, online shopping credit is offered as a payment option, especially on the online platforms of the sectors that are affected by credit card installment restrictions.

Yapı Kredi maintained its Flexible Account balance throughout the year and ranked third in the sector with a market share of 11.7%. As a result of the studies carried out for flexible account e-bank statement throughout 2019, 88% of customers use paperless e-account statements.

Yapı Kredi continues to offer successful services with tailored products in mortgages via the Call Center, branches and the “loan now” channel. Additionally, the Bank collaborates with corporate real estate firms and construction companies to offer mortgages for housing projects. In order to offer more value to its customers, Yapı Kredi also presents its life insurance product to mortgage customers.

Especially in the last months of 2019, interest rates improved in favor of customers, thereby reducing the interest rates on mortgage loans at a level to meet the deferred demands of the customers. In 2019, a first in housing finance, the Payment-Protected Financing Model, was launched. With this model, the healthy completion of the projects is guaranteed. In the project, the first phase of which will be delivered in April 2020, Yapı Kredi offers advantageous services to customers with project-specific loan rates.

Yapı Kredi continued to provide vehicle loan services to individual customers both at the dealer and at the branch in 2019. Individual vehicle loan market share reached 12.0% with a volume growth of 17% recorded in 2019. Launched in 2008 and providing Yapı Kredi an exclusive partnership in financing Ford branded vehicles, the Ford Finance program continued in 2019 by strengthening its customer base.

Yapı Kredi Blue Class

Launched in July 2019, Yapı Kredi Blue Class goes beyond classical banking. It supports the investment decisions of its customers with the direct consultation of its portfolio managers. In addition to serving Blue Class customers with 420 Portfolio Managers in 296 branches of the Bank in 2019, it continues to provide services remotely with 29 Central Blue Class Portfolio Managers under its Central Portfolio Management structure launched in June 2018.

Yapı Kredi Blue Class offers its customers the opportunity to evaluate their savings in the most accurate way with their expert portfolio managers, who are specially known for their customers, and with different products and services. Specialist portfolio managers, who regularly keep in touch with them, focus on the financial needs of the customers and meet the expectations in the best way.

Yapı Kredi Blue Class Customers can benefit from the priority service model in all branches, call their own private line for all banking transactions, connect directly to the customer representative for 7 days and 24 hours, meet their cash needs with a special high ATM withdrawal limit, and secure valuable items and documents in rental safes in Yapı Kredi branches.

Deposits of customers, who benefited from Blue Class Banking portfolio management services, grew by 19% year-on-year in 2019. The demand deposit volume, which is the main element of the strategy of being the main bank of customers, grew by 47% in 2019. The main share of this growth came from TL Demand Deposit accounts, which grew by 49%.

Market share

10.2%

in life insurance

Market share

3.7%

in non-life insurance

Market share

10.7%

in private pension

Bancassurance

At the end of 2019, Yapı Kredi maintained leadership in health insurance with a 30.9% market share. The Bank has 10.2% market share in life insurance, 3.7% in non-life insurance and 10.7% in private pension.

Yapı Kredi continues to offer solutions for all insurance needs of its customers. Digitalization of bancassurance products and services is given importance and action plans are created in this direction. By increasing the variety of products in digital channels, the Bank continues to invest in providing better and faster services to its customers.

At the end of 2019, Yapı Kredi maintained leadership in health insurance with a 30.9% market share.

Outlook

The Bank's targets with respect to Retail Banking for 2020 are outlined below:

- The Bank will continue to invest in digitalization to make financial services more accessible to all. Strengthen access to customers by increasing the product diversification and depth by focusing on improving the customer experience,
- Have use deposit or deposit-based products used by wider audiences by sustainably strengthening the funding base,
- Diversify customers' assets under the vision of investment services, with deposit products as well as stocks, fixed income securities, more than thirty investment funds managed with Yapı Kredi Portfolio expertise and many investment products,
- Increase sales efficiency by improving its diversified sales channels and service model with an innovative approach
- Increase digital channel use by enhancing customer experience on digital channels
- Provide services to customers in equal quality on all channels for every product they need

Tailor-made services with new business model

Profile	
Branches	***21***
Portfolio Managers	***134***

Products and Services

Mutual Funds, Smart Fund Basket, Yapı Kredi Bills and Bonds, Private Sector Bills, Eurobond, Indexed Time Deposits, Fund Deposits, Equity Market, BorsaCepte, TradeBOX, FXBOX, Warrants, TurkDEX Transactions, Derivatives Market (VIOP) Transactions, Structured Products, Derivatives, Art Loan, Boat Loan, Tax, Real Estate, Inheritance, Education, Philanthropy and Art Consultancy

As at year-end 2019, Yapı Kredi was offering private banking service TL 67 billion in client assets in private banking and wealth management out of 21 private banking locations and with its teams specialized in asset management.

Yapı Kredi Private Banking offers integrated wealth management through the Bank's subsidiaries, Yapı Kredi Invest and Yapı Kredi Asset Management, as well as the entire range of banking products and services for all financial needs of its clientele.

Sustained Leadership

Yapı Kredi Private Banking displayed a positive performance enabled by its approach prioritizing financial expectations and needs of its clients, and strong customer communication. Private banking deposits rose to TL 42 billion, mutual funds to TL 7.4 billion, assets under custody to TL 7 billion, stocks to TL 8.1 billion, and pension funds to TL 1.3 billion.

Yapı Kredi Private Banking manages assets worth TL 67 billion in total via its 21 Private Banking Locations, five of which are outside İstanbul, and maintains leadership position in the sector on the back of a broad product range that fulfills the expectations and risk perceptions of its clients.

In line with the market conditions of 2019, Yapı Kredi Private Banking was able to secure new customer acquisition and increased depth with its existing clients thanks to its strong brand perception and intensive customer communication, and targeted a focused performance through quality products, in particular.

Customer Satisfaction Focus

Yapı Kredi Private Banking continued to focus on not only financial needs but also non-financial expectations of its customers as part of its holistic approach to wealth management.

Tax, inheritance, real estate, education, art and philanthropy consultancy services for the customers are being provided through first-rate contracted firms and customer demands are received both via branches and Internet banking. In addition to one-on-one consultancy services, educational advisory seminars in special events were organized for Private Banking customers.

In addition, cultural trips that are received with great interest from Private Banking customers continued to be organized, and exclusive exhibition visits and tours were carried out thanks to the partnership with Yapı Kredi Culture and Arts.

Outlook

The Bank's targets with respect to Private Banking and Asset Management for 2020 are outlined below:

- Expand the customer base by focusing on products and services aligned with the financial expectations and needs of diverse customer groups
- Digitalize the sales force and processes so as to boost productivity
- Diversify the portfolio with a long-term investment approach

YAPI KREDİ ASSET MANAGEMENT

Profile	
Employees	***58***

Positioning	***Market Share***
Mutual Funds	***10.9%***

Commanding the sector's leadership, Yapı Kredi Asset Management has consistently maintained its position and sustained its activities since 2002. In 2019, the company adjusted to the changing market conditions, and offered Private Pension Funds Management, Discretionary Portfolio Management and Investment Advisory services, in addition to products tailored to meet the diverse needs of its clients, as it did in previous years.

Yapı Kredi Asset Management aims to respond optimally to investors' needs on the basis of a broad range of investment products formulated to respond to different market conditions via;

- 24 mutual and 12 hedge funds under its management,
- a total of 28 pension mutual funds of three different pension companies,
- Discretionary portfolio management models in diverse asset classes and investment advisory service designed according to the needs of its 543 individual and 9 institutional clients.

Yapı Kredi Asset Management ranked third in the sector with 13.2% market share in mutual funds in 2019. On the other hand, the company has been the sector's leader for years, when money market funds also known as qualified funds are excluded. Total assets under the company's management are worth TL 31 billion.

Yapı Kredi Asset Management's achievements have been crowned with a number of prestigious national and international awards. Yapı Kredi Asset Management was recognized with 9 different awards by 6 different international organizations, one of which was World Finance, including best asset management and best pension fund management awards.

In 2020, Yapı Kredi Asset Management will resolutely continue to work for delivering the highest benefits to investors drawing on its innovative perspective.

YAPI KREDİ INVEST

Profile	
Employees	***207***

Positioning	***Market Shares***
Equity Transaction Volume	***12.1%***
Futures and Options Transaction Volume	***15.3%***

Yapı Kredi Invest is among Turkey's leading investment houses with more than 20 years of experience in capital markets. As a 99.98%-owned subsidiary of Yapı Kredi, the company aims to be a one-stop shop in delivering solutions for its customers, and handles a wide array of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services.

Yapı Kredi Invest continues to prioritize digital channels to develop simple and rapid solutions tailored to meet customer needs.

Remaining close to its customers to better satisfy their needs and supporting their decision-making processes with comprehensive and solid research are among the main pillars the company's service culture.

Yapı Kredi Invest takes one of the top ranks in the sector in terms of business volume and profitability. Despite the challenging market conditions in 2019, the company kept its leadership position in equity trading and futures and options transactions in terms of volume and market share, which was captured in 2018.

In 2020, Yapı Kredi Invest will carry on with its activities in line with its sustainable growth and development target, and will offer unique and high quality products tailored to meet its customers' needs amid evolving market conditions.

Yapı Kredi Invest's priorities include reaching new customers and customer segments, increasing the agility of customer sales channels, and strengthening access to these channels. Attaching great importance to digital delivery channels, the company is committed to increasing the diversity of services delivered to customers through these channels, and to delivering higher quality and faster service.

Profile	
Branches	***741***
Portfolio Managers	***1,090***

Products and Services

Deposit Products, Commercial Installment Loans, Revolving Loans, Flexible Commercial Accounts, Product Bundles (Defne, Nar, Palmiye, Sedir, Çam, Dış Ticaret), POS and Merchant Services, Agricultural Loans, Cash Management Products, Commercial Credit Cards, Commercial Purchasing Cards, Corporate Mobile Banking, TARSİM (Agricultural Insurance), Verimli Kart, SME website

A Time Of Controlled Expansion In SME Banking

The ramifications of economic slowdown that resulted from the fluctuation that hit the Turkish economy in the second half of 2018 led to some loss of pace in investments of small and medium sized enterprises, and in turn, to declined demand for credit and lengthened cash flow cycle in the market in the first half of 2019.

On the other hand, as a consequence of the macroeconomic policies implemented and measures taken, interest rates dropped rapidly and inflation outlook improved from the third quarter of the year. In parallel, while economic activity picked up, revival was observed in the deferred demand for credit in the SME Banking segment.

Yapı Kredi had a productive year in terms of revenues and profitability enabled by its growth strategy that will convert the economic developments mentioned above into advantage and its customer-centric superior service quality in the SME Banking segment.

Increased revenues in SME Banking stemmed mainly from the sustained balance in loans-to-deposits ratio, enhanced deposits performance and increased banking commission revenues.

The Bank reproduced its successful performance of 2018 attained in CGF-backed (Credit Guarantee Fund) loans and kept growing in 2019. Yapı Kredi participated in "Kobi Değer" and "Ekonomi Değer" loan programs introduced in the reporting period, extending TL 9.8 billion on the basis of these facilities for a market share of 15.5%. This performance brought Yapı Kredi market share leadership in CGF programs in 2019.

As a result of the smart and low-risk growth strategy applied in the SME Banking segment, weight was given to increased performance in deposit products in 2019. Thanks to this strategy, total deposits volume and TL deposits volume each expanded by approximately 21% year-over-year, whereas TL demand deposits volume was up by 34%, all of which contributed significantly to the Bank's profitability.

Yapı Kredi continued to offer tailored products and services to farmers out of its branch network via regional managers, underwriting and segment teams specialized in agricultural banking. Through Agriculture Value Chain Collaborations, product payments by companies purchasing produce form farmers were acquired for the Bank, which has been beneficial both for farmers and companies; in this framework, cash flows were attracted to Yapı Kredi and financing methods specific for farmer customers were provided.

Market leader

15.5%

in CGF programs

Increase in deposits

+21%

SME Banking

New Service Model

In 2019, Yapı Kredi reformatted its service model based on its customer-centric superior service quality concept in the SME Banking segment, and significantly spread its comprehensive asset management services targeting particularly micro and small business customers to consolidate its broad-based growth strategy backed by qualified human resource.

Yapı Kredi Bank was named the "Best SME Bank in Turkey – 2019" at the "Global Banking & Finance Awards 2019".

At the same time, the Bank launched tablet PC banking infrastructure for all SME Portfolio Managers within the scope of digital transformation initiated in 2018. Capability developments for rendering service and realizing sales with tablet PCs from out of the branch continued in 2019. As a result, the Bank is now able to perform approximately 90% of transactions carried out at branches through tablet PCs. This has secured significant increase in the number of non-branch sales and customer visits of portfolio managers.

With the successful service model transformation project implemented in 2019, Yapı Kredi Bank was named the "Best SME Bank in Turkey – 2019" at the "Global Banking & Finance Awards 2019" organized by Global Banking & Finance Review.

Outlook

The Bank's targets with respect to SME Banking for 2020 are outlined below:

- Accelerate new customer acquisition within the scope of broad-based growth
- Ensure broad-based and increased volume in credit and deposit products in line with the growing national economy

- Win additional market share in the relevant city and/or sector through sector- and/or city-specific customized value proposals and campaigns
- Maintain the risk management understanding that pays attention to collateralization and efficiently monitors early warning signals so as to protect asset quality
- Efficient pricing and exemption management in an effort to preserve profitability amid competitive interest rate market
- Continued participation in programs offered by domestic and foreign agencies which facilitate SMEs' access to financing and thus ensure credit expansion
- Increase cross-selling rate with core banking products, be the customers' bank of choice in terms of cash management and product portfolio

Broad-based Growth

Profile	
Branches	***50***
Portfolio Managers	***379***

Sector Position	*Market Share*
Corporate Loans	***8.3%***
Non-cash Loans	***11.8%***
Cheque Collections and Payments	***11.2%***

Products and Services

Working Capital Loans, Letters of Guarantee, Money Transfers, Long-Term Loans, Project Finance, Direct Debit System, BANKOTM-OHES, Payment Products, Collection Products, Commercial Credit Cards, POS, Public Payments, Derivatives, Import and Export Letters of Credit, Documentary Collection, Payments, Guarantees, Import and Export Financing Products (ECAs, FC Loans, Forfaiting, Import and Prefinancing Promissory Note Avalization, T. Eximbank Credits, CBRT Credits, Corporate Finance Advisory, Financial Advisory, M&A Finance, Capital Management Advisory)

Corporate and Commercial Banking

Yapı Kredi has positioned itself among Turkey's leading banks in the Corporate and Commercial Banking segment with its distinguished products and services. Besides servicing a wide array of local companies, the Bank also delivers tailored services for international and multinational conglomerates. Products and services offered include project finance, cash management, foreign trade finance, corporate finance advisory, financial advisory, capital management advisory, and merger and acquisition finance under investment banking, and banking service charges management under the fees and commissions center.

Corporate and Commercial Banking serves companies with an annual turnover of more than TL 25 million, and is sub-divided into Commercial Banking and Corporate Banking.

At Yapı Kredi,

- 11 regional offices and 46 branches deliver Commercial Banking services,
- whereas 3 branches cater to Corporate Banking and
- 1 branch services International and Multinational Banking segment.

Moreover, Commercial Banking is represented in 38 cities with 127 Commercial Portfolio Managers in 118 Retail Banking Branches within the scope of the new service model introduced by early 2019. In addition, Yapı Kredi offers services on an international level through its subsidiaries in Azerbaijan, the Netherlands and Malta as well as its branch in Bahrain.

Amid the volatile operating environment of 2019 in domestic and global markets, Yapı Kredi continued to provide full support to its Corporate and Commercial Banking customers with its customer-oriented service model. During this period, the Bank tended to reduce the concentration in Corporate and Commercial loans and aimed spreading out.

Yapı Kredi undertakes projects seeking to simplify business processes with the ultimate goal of providing even faster services to Corporate and Commercial Banking customers, using time efficiently and effectively. New technical and specialty training programs are provided for sales personnel in a bid to identify and steer customer needs through the right channels and do so with a rapid and quality service approach, given the digital solutions available in branches.

Yapı Kredi tended to reduce the concentration in Corporate and Commercial loans and aimed spreading out.

Project Finance

Yapı Kredi is a leading bank in long-term project and structured finance in the Turkish market. The Bank's project finance portfolio covers projects in infrastructure, energy and acquisition finance sectors.

Its robust balance sheet gives Yapı Kredi the muscle that allows the Bank to provide financing support to large-scale projects.

Drawing on its authentic service model and deep-rooted experience, the Bank offers a broad range of services including financial advisory, structuring, arrangement and project finance.

In 2019, new investments slowed down with the effect of the macroeconomic changes in the previous year. Hence there has been a decrease in foreign currency loans. Yet, the markets began regaining balance upon the mitigated fluctuations in exchange rates and declined interest rates.

There has been a fall in the number of new projects due to the postponement of investments planned to be made under the public-private partnership (PPP) model and the relatively lower number of renewable energy investments versus previous years, whereas refinance and restructuring transactions gained the foreground.

The Bank maintains its aim to contribute to the financing of renewable energy projects making use of the funds it secures from various international financial institutions including the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and Proparco, an associate of AFD – the French Development Agency.

Cash Management and Foreign Trade Finance

Yapı Kredi enjoys a strong position in the sector with the cash management (both local currency and foreign currency) and foreign trade finance solutions offered through diverse channels. The cash management and foreign trade finance services of Yapı Kredi are backed by a team operating out of three Corporate Banking Center Branches, one Multinational Banking Branch and in various commercial and retail locations.

Yapı Kredi provides numerous different products and services country-wide including cash transfer services, digital banking and operational services. In addition to cash management, the Bank also provides data integration and reconciliation solutions for these products.

In 2018, Yapı Kredi further strengthened its market position in e-banking with its high performance in direct debit and BANKOTM bulk payment system. The Bank also enabled corporate and commercial banking customers to more efficiently manage their supply processes and tap alternative financing facilities with its Supplier Finance product.

Yapı Kredi also offers a variety of support services and payment management mechanisms to Turkish companies engaged in international trade. The Bank supports customers via innovative and alternative foreign trade products and solutions, as well as traditional import and export products.

Koç Group Dealer and Supplier Network Business Development Unit was established with the objectives of increasing the banking activity with the Koç Group which is Turkey's leading dealer and supplier network, fulfilling the increasing banking needs of these customers, and helping them achieve sustainable growth through the financial advisory to be provided. Yapı Kredi places much emphasis on supporting dealers and suppliers not only with the provision of financial solutions but at every point that will enable their development and growth.

Loan products, cash management and foreign trade financing products, and products offering digital solutions are provided via our extensive branch network and digital channels. Made up of more than 20,000 companies, this network is further strengthened with Yapı Kredi products and services, and contributes enormously to the economy.

Yapı Kredi Bank expands its foreign trade finance business through Turkish Eximbank Export Credit Programs, the CBRT's pre- and post-shipment financing facilities that support exports, and export credit agencies and Eximbanks of other countries, and develops long-term and favorable financing products sourced from correspondent banks for the investment needs of its customers.

Yapı Kredi got nearly 15.5% share out of Turkey's foreign trade volume.

As of year-end 2019, the number of customers using Yapı Kredi's cash management and

foreign trade finance products was 316 thousand. The Bank commands 11.2% market share in cheque collection and payments. Yapı Kredi's market share in imports and exports stood at 15% and 16.1% by the end of 2019. In 2019, Yapı Kredi intermediated the foreign trade transactions of more than 16,700 customers. The Bank got nearly 15.5% share out of Turkey's foreign trade volume.

Investment Banking

Investment Banking manages corporate finance advisory, financial advisory and capital management advisory services at the Bank.

Yapı Kredi is one of the first banks in Turkey to introduce a service model focused on international and multinational companies.

Corporate Finance Advisory: With its Corporate Finance Advisory team active particularly in energy, infrastructure, consumer goods, retail, finance, telecom/media/technology and general industries, Yapı Kredi establishes dialogues on a strategic level with its customers and provides thorough M&A advisory services to target firms based in Turkey and abroad.

Financial Advisory: Yapı Kredi is the sector leader in project finance advisory. The Financial Advisory team assists clients throughout the entire chain of financial processes including the structuring, negotiating and obtaining the right mix of financing from various national and international lenders for their large-scale projects and restructuring projects that can be evaluated within the scope of project finance. Yapı Kredi is an active player primarily in infrastructure (airport, port, bridge, tunnel and highway) projects, as well as in various PPPs, energy, oil, gas, mining, petrochemicals and biochemical sectors.

Capital Management Advisory (CMA): Capital Management Advisory provides consultancy services for developing sound balance sheet structure, ensuring optimum debt-equity ratios, and satisfying financial needs by using the most suitable products in line with sector-specific factors and offers the most appropriate banking products and financing options for this purpose. In addition, the CMA also intermediates all kinds of structured finance services (syndicated loans, club loans, refinancing etc.) based on balance sheet as needed by the companies.

International and Multi-National Banking

One of the first banks in Turkey to introduce a service model focused on international and multinational companies, Yapı Kredi services such customers with IMB (International & Multinational Relationship Banking) in a bid to offer more effective and need-based service.

IMB organization is composed of three separate units, namely International Banking Branch, Sales and Credit Support Function and Cross-Border Banking Activities Unit in order to offer 360 degrees service to international and multinational firms.

International Banking Branch: The International Banking Branch services exclusively companies with foreign shareholding and extends support via a team of customer representatives experienced in services and products that international and multinational companies may need, are fluent in various languages, and specialized in the needs of such companies.

Sales and Credit Support Function: This function offers solution-oriented approaches to all international companies receiving service from the International Banking Branch as well as from the extensive branch network of Yapı Kredi in line with their needs and expectations. Service is rendered also in Investment and Structured Finance.

Cross-Border Banking Function: This function acts as the first point of contact for investors from abroad, and delivers advisory regarding Turkey and the banking system. In addition, representation is provided in consulates and other settings linked to foreign capital investments (domestic trade shows, attaché offices, etc.) and information about the Bank and the banking sector is shared as necessary, and sales and marketing activities are carried out to entice foreign investors to choose Yapı Kredi. Moreover, support is extended to account opening processes of companies with foreign shareholders in the International Banking branch or in all other branches of Yapı Kredi within Turkey and its overseas subsidiaries. The function contributes to the promotion and increased use of all product groups of the Bank in coordination with various units.

In 2019, the Cross-Border Banking Function team completed the overseas account opening of 34 Turkish firms in total associated with their overseas investments, and acquired 75 firms backed by foreign capital that have investments in Turkey as new customers for the Bank by completing their account opening in IMB and other Yapı Kredi branches.

Outlook

The Bank's targets with respect to Corporate and Commercial Banking for 2020 are outlined below:

- Consolidate its position before customers as a business partner by offering a wide range of services from daily transactions to financial advisory
- Reducing concentration and spreading out through cash-flow based customer acquisition
- Focus on value chain management to build stronger relationships with customers' subsidiaries and suppliers
- Ensure operational efficiency through effective use of digital channels, and give priority to digital channels in sales
- Continue to create a difference in customer experience by incorporating smart systems in process design
- Continue to take part in major projects that require expertise and create added value for the country

Yapı Kredi continues to take part in major projects that require expertise and create added value for the country.

A productive year in terms revenues and profitability

YAPI KREDİ LEASING

Profile	
Customers	***4,866***
Branches	***14***
Employees	***139***

Positioning	***Market Share***
Financial Leasing Receivables	***20.3%***

Yapı Kredi Leasing was established in 1987, and 99.99% of its shares are held by Yapı Kredi. Yapı Kredi Leasing holds a market share of 20.34% in terms of leasing receivables. Yapı Kredi Leasing continues to leave its print in the leasing sector and to stand by its customers at all times with its smart solutions, expert teams and vast experience.

Yapı Kredi Leasing preserved its solid position in the sector once again in 2019. The Company provided financing for machinery investments in the real sector, with a particular focus on manufacturing and construction equipment industries.

Yapı Kredi Leasing will seek to retain its leadership in the sector, to further consolidate its customer network and sector positioning in 2020.

YAPI KREDİ FAKTORİNG

Profile	
Customers	***3,305***
Branches	***9***
Employees	***127***

Positioning	***Market Share***
Factoring turnover	***15.2%***

99.95% of its shares held by Yapı Kredi, Yapı Kredi Faktoring was established in 1999.

Yapı Kredi Faktoring is differentiated from its competition with its robust capital structure and performance, in-depth experience, and its expert team that has adopted a high quality approach to service.

Yapı Kredi Faktoring holds a market share of 15.2% in total business volume, and 21.4% in international factoring volume. In addition, the company reached a total business volume of TL 19.6 billion, of which 78.5% is derived on domestic transactions and 21.5% on international transactions.

Yapı Kredi Faktoring renders factoring services across Turkey through its HQ in İstanbul and its branches in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, Izmir, Kadıköy and Kartal. In 2019, Yapı Kredi Faktoring kept diversifying its funding sources to provide financing to its customers at a more affordable rate.

Its close relationship with the nationwide sales and service network of Yapı Kredi Bank and the synergy created represent Yapı Kredi Faktoring's most important service and competitive advantages.

In 2019, Yapı Kredi Faktoring took the second spot in the list of "Best Factoring Companies in Turkey" by Capital, one of the most prestigious economy magazines.

Since 2002, Yapı Kredi Faktoring has ranked among the top companies in the Factors Chain International's Best Export Factoring Company index worldwide. In 2019, the Company was ranked third with its service assessed to be "excellent". Yapı Kredi Faktoring is also a full member of the Amsterdam-based FCI, as well as a member of the Turkish Factoring Association.

Yapı Kredi Factoring aims to increase customer numbers and penetration in all segments in 2020, while deepening relationships with existing customers.

YAPI KREDİ BANK NEDERLAND

Profile	
Asset Size	***USD 1.8 billion***
Branches	***-***
Employees	***52***

Yapı Kredi Bank Nederland offers a wide array of products and services in retail, corporate and private banking, with the main objective of supporting Yapı Kredi's customer base residing abroad. Wholly owned by Yapı Kredi, the bank serves its customers out of its head office in Amsterdam.

In 2019, the bank sustained its favorable performance despite volatile and increasingly regulated market conditions. Yapı Kredi Bank Nederland offers savings and deposit products to its customers in the area of retail banking. In corporate banking, the bank provides structured commodity finance and trade finance solutions leveraging on the synergy of Yapı Kredi Group.

Yapı Kredi Bank Nederland, while continuing its trade finance activities where market conditions play a telling role, offers its corporate customers marine finance, project finance, cash management as well as Islamic banking products. In the area of correspondent banking, the bank uses the opportunities presented by money and capital markets as appropriate to its balance sheet requirements.

The bank efficiently provided its internet banking service, which was initiated as a pilot project serving only a selected group of customers in 2017, to its entire customer base in 2019.

In 2020, Yapı Kredi Bank Nederland will focus on maintaining profitability at a sustainable level through due management of risks and regulatory compliance, while keeping customer satisfaction at the highest level.

YAPI KREDİ BANK MALTA

Profile	
Asset Size	***USD 117 million***
Branches	***-***
Employees	***7***

Yapı Kredi Bank Malta was established in 2014. Having started its operations in 2015, the Bank provides services to Yapı Kredi's corporate and commercial customers. As of the end of 2019, the total asset size of the Bank was USD 117 million and its net profit was EUR 640 thousand.

The Bank continues its operations in full compliance with legal requirements. With the resolution of the Board of Directors of Yapı ve Kredi Bankası A.Ş. who holds 100% shares of the Bank through Yapı Kredi Holding B.V. it was decided to liquidate Yapı Kredi Bank Malta Ltd. The liquidation procedures are expected to be completed within 18 months after the permission of the Maltese legal authorities. The liquidation of Yapı Kredi Bank Malta is expected to have no significant impacts on Yapı ve Kredi Bankası A.Ş.'s activities and financial statements.

YAPI KREDİ BANK AZERBAIJAN

Profile	
Asset Size	***USD 263 million***
Branches	***9***
Employees	***245***

Positioning	***Market Shares***
Credit Card Outstanding Volume	***4.27%***
Credit Card Acquiring	***4.46%***

Yapı Kredi holds 99.80% of the shares in Yapı Kredi Bank Azerbaijan that was established in 1998. Yapı Kredi Bank Azerbaijan provides a wide range of products and services in retail and corporate banking through its nine branches located in Baku and Sumgait.

As stability-oriented reforms continued in the Azerbaijani economy in 2019, new steps were taken. At 2.2%, economic growth reached its highest level since 2014, and the country's reserves displayed a solid increase to top GDP.

Rate cuts initiated in 2018 by the Central Bank of Azerbaijan continued in 2019. Although this move led to some decline in its basic banking revenues, Yapı Kredi Bank Azerbaijan was able to increase its profitability through adept management of its costs and NPL.

The bank successfully attained lower NPL ratios than the ones in 2018 in all segments. The bank's cash loans expanded by 8% as at December 2019. In the same period, the bank secured 22% growth in corporate loans, thus carrying on with its contribution to the Azerbaijani economy. On the deposits side, the share of demand deposits picked up.

In the twelve months to December 2019, Yapı Kredi Bank Azerbaijan provided 14% and 19% increase in the use of Retail and Corporate Internet Banking. Commanding a high 10.38% market share in the number of credit cards as at year-end 2019, Yapı Kredi Bank Azerbaijan had 4.46% share in POS volume.

In 2020, Yapı Kredi Bank Azerbaijan will continue to support the country's economy with its high capital adequacy ratio and liquid balance sheet.

2019 has been a year of normalization for the Turkish market.

In 2019, the markets exhibited a volatile course characterized by the slowdown in global economy, the issues tainting global trade, and geopolitical tensions. National markets started the year pressured by high inflation and exchange rates; however, tight monetary policy and strong policy coordination helped mitigate the cumulative effect of exchange rate. 24% at the onset of the year, the policy rate gradually stepped down to 12% with the rate cuts in July, September, October and December. Instruments other than policy rate also improved, and played a part in eliminating the volatility in markets and unhealthy price formations.

An approach focused on effective liquidity management and diversified funding base

Yapı Kredi effectively managed its liquidity and further diversified its funding base, drawing on its experience in interest and exchange rate risk management. On another front, the Bank kept fulfilling the Turkish manufacturing industry's need for financing with the product versatility and maturity profiles made available within the frame of asset and liability management.

Yapı Kredi Treasury Management operates through its Treasury and Financial Institutions groups.

Treasury

The Treasury is in charge of managing the Bank's liquidity requirements, interest rate risks, foreign exchange position, and controls its investment portfolio.

Fixed Income Securities

Yapı Kredi is one of the 12 market-makers designated by the Republic of Turkey Ministry of Treasury and Finance. Having remained an active player in the securities market throughout 2019, the Bank's market share in the BIST bonds market was 18.60%. Furthermore, Yapı Kredi borrowed TL 16.57 billion from the domestic market through 129 issuances in total in 2019. A total of TL 800 million of this amount consists of bond issuances to be included in additional Tier-I capital calculation. The Bank also remained adhered to its strategy of utilizing repo funding as a short-term liquidity management instrument.

In 2020, Yapı Kredi aims to expand its market-maker role in the fixed income securities market into other organized markets as well.

Money Markets and Balance Sheet Management

The Money Markets and Balance Sheet Management Unit managed the interest rate risks associated with the Bank's on and off-balance sheet liabilities in a manner that is highly responsive to market developments and in line with the Bank's Risk Policy. Accordingly, the Bank created a flexible balance sheet structure by paying regard to effective management of liquidity positions as well as loan and investment portfolios, risk-return balances, and customer requirements.

Thanks to its high credibility, Yapı Kredi continued to secure low-cost, long-term funding from international financial markets through various debt instruments in 2019.

Foreign Exchange and Derivatives

The Foreign Exchange and Derivatives Unit handles the pricing of all kinds of commodities and derivatives, as well as of spot and forward foreign exchange on international markets. The Unit ensures effective pricing that is aligned with the Bank's position and market conditions, while developing various derivative products by taking into account customers' needs associated with OTC derivatives markets.

Treasury Marketing

The Treasury Marketing Group offers financial advisory services to customers from all segments with its technological infrastructure and know-how. Besides offering competitive prices for all products, the Group also develops derivative products tailored to specific financial needs of customers.

The Treasury Marketing Group continues to fulfill customer needs in a faster and more effective manner thanks to technological infrastructure offered to customers with ongoing studies for further development.

Budget Planning and Financial Monitoring

The Budget Planning and Financial Monitoring unit focuses on effective management of the Bank's balance sheet and income statement in accordance with the risk management principles. The unit also analyzes the effects of changes in market conditions on the Bank's profitability and operations, and extends support to other units of the Treasury.

Financial Institutions

Correspondent Banking

2019 has been yet another successful year for Yapı Kredi in terms of correspondent banking activities despite the fluctuations in global and domestic markets. Throughout the year, the Bank delivered foreign trade finance services to its customers with its network of nearly 1,800 international banks. Successful correspondent banking activities resulted in the renewal of syndicated loans and maintained the market share in foreign trade finance.

Highest number of participants

In May 2019, Yapı Kredi successfully renewed its syndicated loan. The facility with a maturity of 367 days comprised of two tranches in terms of USD and EUR. The loan in the total amount of USD 350 million and EUR 606.8 million is designed to fulfill the pre-export funding needs of customers.

Having the largest lender base among its kind at the time of its execution, the facility has been provided with the participation of 49 banks from 21 countries. The syndicated loan carried an all-in cost of Libor+2.50% and Euribor+2.40%.

Highest amount

In October, Yapı Kredi successfully rolled over a second syndicated loan in two tranches, comprising 367-day and two-year terms in USD and EUR, raising USD 370 million and EUR 520 million. The dual currency term loan facility, secured to finance foreign trade, was participated by 39 banks and was the highest amounted syndicated loan at the time. The all-in cost of the facility was determined as Libor+2.25% and Euribor+2.10% for the 367-day tranche in keeping with the market developments.

In addition to syndicated loans, Yapı Kredi continued to increase its market share in funding transactions linked to foreign trade, as well.

International Debt and Capital Markets

Funds worth USD 4.2 billion from overseas markets

In 2019, Yapı Kredi continued to secure funds from international markets by diversifying its funding sources and secured international funds worth USD 4.2 billion thanks to its robust international relations and solid shareholding structure.

With its additional Tier-I capital issue carried out in January 2019, the Bank carried out Turkey's first market-based additional Tier-I capital transaction and secured funds in the amount of USD 650 million from international markets. At the same time, two issuances worth TL 800 million were realized within the scope of the Mortgage-Backed Securities Program. Yapı Kredi secured a funding of USD 700 million in total under the Diversified Payment Rights (DPR) securitization program for long-term funding purposes.

Throughout the year, the Bank secured various funds from international markets also by way of dual loans.

Outlook

The Bank's targets with respect to Treasury and Financial Institutions groups for 2020 are outlined below:

- Fulfill the manufacturing industry's need for financing,
- Maintain its leadership in correspondent relationships and further expand its correspondent network,
- Further increase its funding diversity,
- Sustain its disciplined approach to sustain solid liquidity and funding position.

Profile	
ATMs	***4,330***
Penetration in Active Digital Banking Users	***71%***
Mobile Banking Application Downloads	***22 million***
Annual Call Center Contacts	***95 million***
Annual Call Center Sales	***7.4 million***

Positioning	
ATM Market Share	***8.49%***

In relation to alternative delivery channels, Yapı Kredi targets to:

- increase direct product sales and cross-sales,
- ensure lean provision of after-sales services,
- decrease service costs, and secure new customer acquisition, and
- create value both for the Bank and the customers by enhancing customer satisfaction.

As part of its digital banking strategy, Yapı Kredi targets to produce products and services that will quickly respond to the changes in customers' lifestyles and usage habits, and aims to provide tailored solutions to customers' needs by closely monitoring technological developments.

Having traditionally pioneered the delivery of banking products and services to customers through digital channels, Yapı Kredi has aimed to furnish end-to-end service in products and services offered through digital channels in 2019. Accordingly; the Bank continued to work towards perfecting customer experience on the basis of innovative approaches, optimizing customer interaction, and offering novelties that will eliminate the borders within the financial ecosystem.

In 2019, Yapı Kredi also increased its focus in the field of investment and introduced a number of developments to render much easier, faster and more personalized service to customers with an investor profile.

The Bank kept offering service via its WhatsApp verified corporate account, which was a first in Turkey, and expanded the response capabilities of the AI-based bot in 2019. Yapı Kredi WhatsApp service was elected as a case study by Facebook Business owing to its successful performance in the reporting period.

Also, Yapı Kredi contributes to shaping the future banking world starting from today with its applications that will make a difference in the financial technology world.

The range of products sold through Digital Banking increased to 48, while 80 different products became available for direct or cross-selling through the Customer Relations Center, thanks to the Bank's upgraded infrastructure. In 2019, the share of ADC sales within total general purpose loan sales went up to 72%, while credit card penetration reached 48%.

Penetration of deposit transactions

50%

non-branch channels

During 2019, Yapı Kredi's customer interaction on digital channels reached 1.2 billion on an annual basis. Accordingly, the share of non-branch channels within total banking transactions increased from 56% in 2007 to 94% in 2019. The share of digital channels in non-cash transactions increased to 97%, and the penetration of deposit transactions through non-branch channels reached 50% in the reporting period.

Yapı Kredi's customer interaction on digital channels reached 1.2 billion.

Keeping pace with the technology, speed, correct communication, and simple and integrated experience have become the key factors in bank selection of customers. On the back of its efforts and activities targeted at being the choice of customers on all channels, Yapı Kredi acts with a vision of ensuring a perfect customer experience by establishing empathetic communication, designing proactive processes, and increasing transparency.

Digital Banking

In 2019, Yapı Kredi sustained its pioneering position in digital channels in the sector thanks to its innovative approach. The Bank continues to introduce innovations that steer the sector and make life easier for its customers by closely monitoring new technology with the target of bringing them to its customers in the optimum manner, at the right time.

In 2018, Yapı Kredi redesigned the experience of becoming a customer of the Bank in view of evolving customer expectations and making use of state-of-the-art technology. Under this new service model that is a first in Turkey, users can contact Video

Transaction Assistants via Yapı Kredi Mobile and become a customer of Yapı Kredi without visiting the branch. During 2019, Yapı Kredi began offering end-to-end service through digital channels also for its customers wishing to get a PIN using digital channels as it enabled execution of identity verification and information update using Video Transaction Assistants, which formerly compelled a branch visit.

The Bank launched QR Money Transfer function, thereby allowing its customers to complete Money transfers within just seconds using their mobile devices. Using this capability, customers are able to scan the QR code with the camera or image, and execute the money transfer quickly without having to enter an IBAN.

Further expanding the set of its digital payment solutions, the Bank enabled making payments quickly just by scanning the QR code through Yapı Kredi Mobile with Pay with QR Code function on POS devices, thus eliminating waste of time for taking out a card. Adding another five large companies to e-commerce sites that use shopping credit function as a payment solution, the Bank kept standing by its customers for their shopping needs at a higher number of points.

The Bank's customers are now able to digitally approve customer contracts via Yapı Kredi Mobile and the Internet Branch. While this solution lets the Bank's customers carry on with their transactions through digital banking channels without making a trip to the branch to sign documents, it has also contributed significantly to product sales via digital channels.

In 2019, Yapı Kredi increased its focus in the field of investment and developed new solutions that cater to the needs of different customer profiles for investment transactions through digital channels. In line with this strategy, the Bank upgraded the existing processes on digital channels, and devised much easier and much faster transaction models for complex products.

With FC Alert and FC Order functions, Yapı Kredi began offering smart and digital solutions for its retail and corporate customers engaging in FC transactions. The customers can use the FC Order function to issue an order for transacting when the FC price reaches a certain figure, and can set the FC Alert to receive a notification when the FC rate comes to a certain level. The inflation-indexed time deposit product expanded the investment options furnished to customers. Thanks to advanced investor profiling, the Bank began offering personalized portfolio suggestions to customers.

Digital Motor Own Damage product gives fast and easy access to motor own damage quotations and policies under the guarantee of Allianz Insurance via Retail Internet Branch and Yapı Kredi Mobile. Digital Motor Own Damage Insurance lets customers create and customize the policy according to their specific needs.

Customers choosing to be paid their pensions via Yapı Kredi can easily transfer their pensions using Yapı Kredi Mobile and Internet Branch.

Yapı Kredi promotes the banking business forward with new technology.

As Yapı Kredi promotes the banking business forward with new technology, the Bank keeps managing customer experience optimally and further improves it. The novelties introduced in 2019 enhanced and facilitated Single PIN getting and renewing experience of customers, while improving digital channel reach experience. Card PINs can now be set with Yapı Kredi Mobile with a swift and easy experience. Altogether, these led to the highest monthly number of active digital customer acquisition in the history of the Bank.

e-Government integration available in Yapı Kredi Internet Branch was launched also on Yapı Kredi Mobile during 2019, thus paving the way for easy sign in to e-Government for executing transactions.

 # active digital customers

+17%

Digitalization ratio of active customers

+71%

Through its WhatsApp verified corporate account that was launched as a first in Turkey, the Bank offered service to 400 thousand users in 2019, and had approximately 700 thousand contacts. Thanks to the AI-based bot infrastructure, the WhatsApp service responded optimally to users' dialogue flows in the fastest manner. 73% of the calls received through this platform were answered by chatbot. The users can also connect to a human solution provider as and when they need. Owing to its success in 2019, Yapı Kredi WhatsApp service was elected as a case study by Facebook Business.

In 2019, the Bank's digital channels received 35 awards, 28 of them from international institutions.

2019 also marked the introduction of the World Mobile app that is intended to digitalize the shopping experience of customers end-to-end. The benefits that World Mobile offers to ensure a perfect card experience include campaign follow-up, post-shopping gift win follow-up, digital payment solutions such as QR and NFC payments, and card management. The app is created based on a special user experience centered around customer needs. World Mobile app brought more than 1,000 campaigns to customers, who gained points and discounts worth more than 100 million.

Yapı Kredi constantly carries on with new function developments also on corporate digital channels whereby it services its corporate customers. Yapı Kredi Mobile allows applications for Business Card and limit increase, as well as for Flexible Commercial Account and Flexible Commercial Account limit increase. In addition, TOBB (The Union of Chambers and Commodity Exchanges of Turkey) payments started to be executed through digital channels in 2019. Thanks to Foreign Trade Developments, customers were given access to the reports via the Internet branch, thereby alleviating the workload on branches.

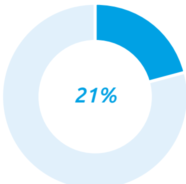
The initiatives it has undertaken in 2019 brought the Bank 17% rise in the number of active digital customers, while 71% of the Bank's active customers were converted to digital. Nearly 97% of non-cash transactions executed at the Bank went through digital channels. Deepened relations with customers and process improvements resulted in significant increases in sales activities realized through digital channels, and the penetration ratio reached 36% for basic products.

Yapı Kredi continues to make a difference in the sector by making customers' lives easier with innovative products and services. In 2019, the Bank's digital channels received 35 awards, 28 of them from international institutions. Yapı Kredi was named the Best Digital Bank of Turkey both in consumer and corporate categories by Global Finance, one of the most eminent publications in the world.

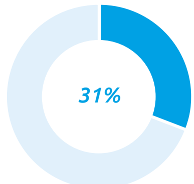
Yapı Kredi carried on with its Code.YapıKredi program also in 2019, which was launched to design the banking business of tomorrow. During the reporting period, the Bank carried out the Accelerator Program, Demoday and "Cultural Codes of the Future with Code.YapıKredi" event series in 2019. Cultural Codes of the Future with Code.YapıKredi event series brought together an audience interested in different branches of technology with experts in diverse fields, and three different organizations that touch the different aspects of technology were realized in 2019.

Customer Relations Center

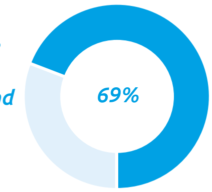
Share in General Purpose Loans



Share in Credit Card Sales



Success Rate in Customer Retention and Recovery



Customer Relations Center

The Customer Relations Center continues to provide 24/7 service in English and Turkish, responding to all kinds of needs of customers. Approximately 100 million contacts were handled during 2019 via various communication tools including inbound and outbound calls, IVN, chat, e-mail, social media, chatbot, video call, WhatsApp and interactive voice response system.

The Customer Relations Center continued to be a strong sales channel in 2019, selling 7.4 million products and services. Having realized 21% of the Bank's total individual general purpose loan sales, the Center increased the loan sales performance by 52% and loan volume performance by 116%. On another front, the Customer Relations Center was responsible for 31% of credit card sales. Acting as the Bank's main channel for customer retention and recovery, the Customer Relations Center achieved a 69% success rate in these activities.

Approximately 100 million contacts

A significant portion of the perfect service rendered to Yapı Kredi customers occur via the Voice Assistant. During 2019, the interactive voice response system was converted into a structure that recognizes customers, predicts transactions and maintains a conversation. In line with the positive and distinctive experience such applications as Google Assistant and Siri impress customers with, the interactive voice response experience was vested in a more natural and smart structure. With this innovation, the self-service transaction set was increased by 130% while its usage rate went up from 60% to 65%, and the channel also began to be used for making sales. At the same time, the natural language model was improved, while customer satisfaction score was raised to 67.

The initiatives carried out via the Customer Relations Center with the aim of deepening in different customer segments continued by extending service to a larger group of Blue Class and Retail Portfolio customers in 2019. It was targeted to increase the wallet share with the Bank through diversification of investment products in the portfolios of Blue Class segment customers, and to acquire customers by deepening in potential customers, as well as credit sales to the retail segment.

Customer complaint ratio

-28%

Customer satisfaction score

81.8

Ongoing on the side of Business Banking were efforts for customer acquisition, and for achieving increased depth with customers. Customers were activated thanks to a number of initiatives including member merchant acquisition, Business Card, Bill Payments, and Installment Commercial Loan products sales. In addition, product diversity was increased, and efforts were spent to increase depth with customers by way of tax payments, existing POS turnover growth and inactive member merchant campaigns. In this customer segment, the Customer Relations Center was accountable for two of every ten Business Cards sold and one of every ten POS devices sold at the Bank.

Social media response time was reduced to 15 minutes on average.

Targeting customers who convert to digital channels at a high speed, the video banking channel focused on new customer acquisition and on activating existing passive customers in 2019. The video banking function, which enables becoming a customer of the Bank without visiting the branch as a first in Turkey, helped drive new customer acquisition. In addition to that, as part of the digital channel acquisition project that is designed as the first step of activating existing passive customers, customers were activated through service rendered to customers whose information was not up-to-date or who did not have a PIN, thereby increasing the use of digital channels. The objective is to eliminate the function difference between the branch and the Customer Relations Center in order to let customers perform their banking transactions easily without leaving their spots. In the coming period, video capability will be available for transactions that require a signature and compels a trip to the branch from the customers.

Complaint prevention efforts in 2019 served to reduce customer complaints by 28% on an annual basis. The existing processes were supported with artificial intelligence and robotic process optimization technologies. The systemic developments allowed automatic classification of the subject matter and type of customer contacts, and automatic incorporation of necessary information within the system entry during the complaint handling process. The outcome was high efficiency in complaint handling. These improvements decreased complaint solution time to one day, while putting Yapı Kredi Customer Relations Center in the sector leader position.

Digital channels and new communication models employed in social media management helped decrease social media response time to 15 minutes on average. While speed was delivered, the Bank also adapted to social media dynamics and novelties and produced content in each contact held, espoused a cordial communication manner, and reached leading position in the sector thanks to these characteristics.

2019 has seen achievements crowned with awards, as well as a number of novelties. In addition to awards garnered for various introductions such as Complaint Handling, Remote Portfolio Management, Video Banking, WhatsApp, Voice Assistant, the Customer Relations Center collected a total of nine awards in 2019 including those for Best Training Program, Best Use of Technology, and last but not least, Best Call Center of Turkey. This success secured in national and international competitions found its reflection also in the hearts of customers. According to independent research company results, satisfaction was measured to be 81.8 for 2019.

ATM Network and Self-Service Banking

Ranking among the top five banks in Turkey in terms of ATM coverage with 4,330 ATMs, Yapı Kredi continued to upgrade its ATM network, and replaced almost half of its ATM network with ATMs equipped with the latest technology.

The Bank also sustained its growth strategy in non-branch channels for the ATM network, thus continuing to increase its touch points. The expansion of the ATM network within the scope of this strategy is being carried on in a manner to give easier access to cash not only to Yapı Kredi customers but also to customers of other domestic and foreign banks.

While all ATMs of the Bank feature both cash withdrawal and cash deposit capabilities, Yapı Kredi is among the sector's pioneers with 83% share of Recycle ATMs.

The customers seized upon QR Code, which allows transacting without touching the ATM; hence, more than 34 million transactions were performed at ATMs using QR code in one year.

Developments directed towards positively enhancing customers' cash transaction experience continued in 2019, and nine out of every ten cash transactions went through ATMs.

As part of the vision of increasing financial access, Yapı Kredi makes available cash withdrawal, cash deposit, credit card debt payment, and credit card debt/limit querying on the menus of common ATMs, thus expanding the range of services non-customers can use at Yapı Kredi ATMs whenever they need it.

Innovation and Customer Experience

Established in line with the vision of achieving excellence in customer experience in all channels in 2017, the Innovation and Customer Experience Division analyzes customer satisfaction survey results, social media activity and complaints, conducts focus group studies with customers to improve the identified areas of development and gets customers' opinions before launching new designs. Using this method, 36 improvements were put into life in 2018. Besides these improvements, one of the two finalized major projects were selected as Best Practice within the UniCredit Group. Yapı Kredi will carry on with its innovation and customer experience initiatives with the same perspective in 2019.

In 2019 Yapı Kredi replaced almost half of its ATM network with ATMs equipped with the latest technology.

Delivering the best experience to its customers in today's rapidly evolving world has become an integral part of Yapı Kredi's strategy. Established in 2017 in line with the vision of achieving excellence in customer experience across all channels, the Innovation and Customer Experience Division carries on with its activities with the goal of offering the best experience at all touch points.

While applications, products or processes were put at the heart of designs in previous years, today, customers are placed in the focal point of designs; ser-

# of ATMs

4,330

Top 5

Recycle ATM ratio

83%

QR code usage at ATMs

>34 million

vice-based designs were replaced with ecosystem designs where numerous services are in interaction. In this large ecosystem, customers' expectations from Yapı Kredi began to be shaped by their experiences in other sectors, in addition to those they have with other institutions in the financial services sector. As the rapidly advancing technology and digitalization secured themselves a big place in the customers' lives, the set of competitors includes more than the existing financial institutions. Besides monitoring the innovations in the sector, the Innovation and Customer Experience team also keeps a close eye on the developments in other sectors, and moves forward by blending diverse innovative solutions within new designs in a bid to deliver the best customer experience.

In order to deliver a lean and understandable experience to its customers, Yapı Kredi prepared customer experience maps, and determined the necessary development areas upon identification of critical touch points with the customers to create a better experience. While creating designs for improving these identified areas, customers were placed at the epicenter and different research methods were used together to gain an insight into customer needs and sentiments. Neuroscience research and neuro-measurements were employed using new technology to understand customer sentiments. Using Eye tracking, EEG, GSR and facial coding technologies in combination, these measurements allow evaluation of customer reactions on the basis of instant data and making designs with a focus on customer sentiments.

Complaints handling is another area Yapı Kredi concentrates on in order to upgrade customer experience and to differentiate itself in the sector. The Bank's priority has been to devise proactive solutions so as to resolve an issue before the customer contacts the Bank in the event of a problem. Mostly using big data, machine learning and artificial intelligence in their designs, these solutions help enhance operational efficiency as well as customer satisfaction. Yapı Kredi was set apart from its competition by securing a significant decline in the number of complaints thanks especially to its efforts in this field in 2019.

Outlook

The Bank's targets with respect to Alternative Delivery Channels for 2020 are outlined below:

- Continue to offer digital services based on new service models and leading innovative solutions in today's digitalizing world
- Keep working towards achieving uniform, consistent and excellent customer experience on all channels
- Carry out investments backed by technological advancements to enhance customer experience and provide faster services
- Ensure a perfect customer experience by maintaining empathic relationships, designing proactive processes and increasing transparency on the back of activities targeting to deliver an experience of preference on all channels
- Monitor various collaboration opportunities with fintechs and startups in line with the regulatory changes and develop new products and services accordingly

Leading innovative transactions

Information Technologies

In 2019, Yapı Kredi Information Technologies continued to bring the most innovative and pioneering applications to customers in keeping with the banking business of the future vision.

Thanks to its infrastructure at high standards, the Bank authored projects that delivered productivity, speed and superior customer experience on all channels, and thus sustained its leadership in product diversity and digitalization. In 2019, Yapı Kredi implemented 255 projects.

- Corporate and Commercial Banking new service model was introduced, and improvements were put into practice ensuring service delivery on the back of faster and simpler processes.
- New products and functions were developed, which will enhance the quality of service on digital channels for corporate and commercial customers.
- Allocation and monitoring processes were supported through simplified credit line structure and improved commercial lending modules.
- Financial analyses were automated through AI applications for companies in Corporate, Commercial and SME Banking segments. The project named FOCA earned Yapı Kredi the Global Finance Innovators 2019 award.
- Work flow automation was launched to ensure close watch over risky customers in the corporate and commercial segments.
- Customer-focused improvements were made to branch ranking systems and portfolio management tools in line with the Retail Banking new service model.
- Yapı Kredi Mobile Banking app was enriched with new products and features. World Mobile application continued to offer service with new functions added.
- Service began to be offered to customers through WhatsApp app. The Bank's employees work with AI and respond to existing and potential customers' questions 24/7.
- Mobility of the sales teams furnishing portfolio service was increased, tablet PC applications that will allow them to offer faster and digital service during customer visits away from the branch were expanded. It is now possible for portfolio managers to engage in away-from-branch customer acquisition, and to carry out the sales of 45 different products with digital approval.
- Customers wishing to receive their pensions via Yapı Kredi now have the opportunity to make their applications on any channel.
- Process improvements continued, which allows automatic performance of operational tasks at branches based on remote service model.

In 2019, Yapı Kredi implemented 255 projects.

- Work in the fields of data quality and data analytics continued with the objective of Yapı Kredi's better service delivery to customers.
- Priority was given to cyber security investments within the scope of Information Technologies, and work focused on service continuity and cost optimization continued.
- Corporate cloud use was initiated with the goal of ensuring speed, scaling and cost optimization in technological infrastructure management.
- Investment was made in big data management, and data warehouse and data management infrastructure were converted into a customer-focused structure that takes customer experience into consideration and that can fulfill customer needs in the light of new technologies and new business requirements.

Operations Management

Yapı Kredi kept offering service delivering the best customer experience, and within the frame of high quality, easy and effortless banking principles based on its motto of "No limits in Service". During 2019, 429 processes were reviewed along this line.

Service Quality

In 2019, many initiatives were introduced that contributed substantially to service quality at Yapı Kredi.

- 98.2% of transactions referred to central operations was completed without getting back to the branch and/or customer.
- Completion time of high-volume transactions was down by 9% as compared with the previous year to 16 minutes on average.
- Works for faster service delivery to customers and for systemic controls in operations teams were expanded and the 15% Straight Through Processing (STP) rate in overseas transfers reached 32% following the improvements made.
- In line with the Retail Banking new service model, lobby management at Yapı Kredi branches was revamped; instant monitoring and alert mechanisms were created, making a transition to flexible lobby management that adapts according to customer intensity.
- Electronic Letter of Guarantee implementation was introduced, thus reducing paper consumption and operational costs, and eliminating the risks that may arise from issuing hard copy letters. Via the KKB Electronic Letter of Guarantee Platform, letters can be issued electronically to specific drawees, Eximbank and Customs Directorates. Tests were completed under the pilot run carried out with Customs Directorates, and Yapı Kredi has been the first bank to launch the electronic letter issuing project.

In 2019, many initiatives were introduced that contributed substantially to service quality at Yapı Kredi.

- Having launched Electronic Lien Creation, Yapı Kredi has been the first private bank to complete the integration. With the transition, tasks carried out in hard copy between the branches and the head Office were migrated to the electronic environment. Transactions performed with in-network lawyers began to be performed via the system following the integration, and lien creation procedures that used to take one week were down to less than 1 day.
- Using the Turkish natural language processing (NLP) methods introduced in 2014 as a first in the banking sector, free speech instructions the Bank receives from customers are classified and the banking detail information within were extracted. This implementation, which ensures productivity and time improvements in the management of banking business processes and minimizing manual data entry, heralded a new pioneering initiative in the sector. With AI applications employing NLP methods, 4.5 million financial transactions were performed automatically without human intervention in 2019.

Productivity

- On the back of projects and improvements made with the aim of being efficient and productive on all service delivery channels, 91% of financial transactions were executed digitally or automatically in 2019.
- Product sales in paperless environment continue through digital screens being used in retail banking services and offering convenience to customers. This way, 80% of sales processes has become paperless.
- The Bank focused the robots used in operational tasks since 2017 on recurrent tasks that rely on simple rules and require information transportation among several systems, and deployed them in more than 50 processes as of 2019.
- Artificial intelligence has been employed in cheque detection and processing, intelligence and document/signature checks, thus eliminating the operational steps involved in the flow of the tasks.
- Within the scope of the Decentralized Cash Management (DCM) Vault Implementation related to banknote custody and processing on behalf of the CBRT, authorization has been received and operation started for Kozyatağı Cash Center in 2019, in addition to the İstanbul European Side Cash Center for which cash processing and custody authority was obtained in 2018.

Operational Risk

- • In order to proactively monitor and prevent attempted fraud and cyber attacks customers and the Bank are exposed to, development of teams and systems working 24/7 equipped with advanced analytical and AI skills continued.
- Investments related to cyber security and fraud prevention increased, and investments in the past 3 years topped TL 130 million.
- Detection applications based on analytical behaviors have been instrumental in developing anti-fraud processes.
- AI-based models used in detecting credit card fraud were introduced to protect customers from fraud.
- Systems were put into use, which monitor customer behaviors aimed at preventing fraud and counterfeiting.

In 2019, 80% of sales processes has become paperless.

Outlook

Yapı Kredi targets to sustain and speed up the progress it has secured in information Technologies, service quality, productivity and operational risk in the period ahead. Product and service delivery at high quality on all channels will continue, the scope of branch and non-branch digital experience will be further expanded in 2020. In line with the Bank's strategic principles, consolidating asset quality, optimization of operational and service models, digital transformation projects, data management and analytics are identified as priority areas.

Non-branch digital experience will be further expanded in 2020.

The Bank's targets with respect to Information Technologies and Operations Management for 2020 are outlined below:

- Constantly review and improve banking processes to achieve the best customer experience, high productivity and low operational risk
- Enrich digital channels, primarily investment service, with innovative products and services
- Revamp consumer loan allocation and extension processes on all channels
- Employ AI and robotic technologies for accelerating the work processes involved in customers' product and service demands, and mitigate risks in transactions by ensuring complete and accurate information flow,
- Broaden the use of robots and increase the number of robotic processes
- Carry out systemic improvements to enable the applications used to track NPL in an end-to-end integrated and efficient manner
- Implement application modernization and migrate apps to the Corporate Cloud environment so as to work in harmony with the Cloud architecture in parallel with the target of increasing agility and scalability in technology infrastructure
- Continue to use AI, further analytics and machine learning technologies, in order to enhance the success and productivity of fraud and misconduct detection systems and deploy the same across different channels and applications.

Profile	
Number of Group Employees	***17,466 (Bank: 16,631)***
Average Age	***38***
Average Working Period	***9 years***
Share of Female Employees	***62%***
Share of University Graduates	***91%***

Yapı Kredi works with the vision of being the organization that sets the course of HR practices in Turkey.

Yapı Kredi's HR Policy is designed to unleash employees' potential, build their performances, support their career development, and help establish the balance between professional and private life.

Human Resources Policy

The Bank's human resources practices are mainly based on its Employee Guidelines. These guidelines inform employees about HR practices and set employment terms and conditions from an administrative point of view.

The Guidelines are intended to inform and provide consultancy to employees about all matters relevant to employee relations such as employee selection, placement and development in line with employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc.

The Bank's Human Resources and Organization Management carries out its operations in line with the principle of non-discrimination on the basis of race, gender, nationality, age, religion, political affiliation and physical disability and being respectful of privacy and civil rights. Job descriptions, performance and rewarding criteria are announced to all employees.

Under Law no. 6356 on Trade Unions and Collective Labor Agreements, a Collective Bargaining Agreement is in place between the Bank and the Union of Bank and Insurance Workers. This agreement sets out the rights and duties of the parties regarding the matters related to employment contracts of the Bank's union-member employees and other matters concerning the relations between union members and the employer. The agreement also indicates solution paths in the event of possible conflicts between the parties.

56% of Yapı Kredi employees are union members and Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2019 to 31 March 2021.

There is an "Employee Relations Advisory Board" formed of representatives assigned by the Employer and the Union, which work to preserve labor peace and contribute to increasing productivity.

Trainings:

18,809

participants

Trainings:

536,521

hours

Human Resources Practices

Employee Experience and Employer Brand

The heading covers all activities carried out to upgrade Yapı Kredi employer brand perception in the eyes of students, candidates and employees, within which the following take the lead:

- For students and candidates: youth surveys, satisfaction surveys, university events, Young Talent Programs (Digitalent, Digipro Head Office and Yapı Kredi Youth Branch internship programs), social media initiatives, press publications and summits with the youth,
- For Yapı Kredi employees: Events within the scope of BizClub which are intended to increase motivation and engagement; occasion-specific communications and experience activities.

Recruitment

Yapı Kredi Human Resources team carries out its activities with the goal of selecting the right talents in line with the Bank's strategic goals and values. Various tools are used to place the right talents in the appropriate positions such as tests, interviews, assessment center and personality inventory. The Bank received 629,500 applications in 2019. During the year, 6,250 interviews were held and 1,118 people were recruited.

Training Programs and Yapı Kredi Banking Academy

Yapı Kredi Banking Academy (YKBA) is responsible for coordinating the development activities for all employees of Yapı Kredi and its subsidiaries in Turkey and abroad. YKBA provides development programs via 250 in-house trainers, leading consultants and academics to employees, customers and university students.

YKBA offers Yapı Kredi employees development programs co-designed with domestic and international universities. Yapı Kredi employees are granted special discounts for graduate programs at leading universities, primarily at Koç University.

In 2019, 536,521 hours of training were given to 18,809 participants.

Career Development

As part of Yapı Kredi's career development activities in 2019, 4,683 employees were appointed to new positions and 2,232 employees were promoted to new positions.

In 2019, career paths were redesigned for branch network employees under the brand name "My Career Journey". In this journey, Yapı Kredi employees are able to set their career routes from their first day at the Bank. They prepare themselves for their next position by completing distant learning and classroom training programs. Within this framework, 741 employees changed positions as part of their natural career moves, and a total of 1,943 Yapı Kredi employees transferred between segments.

Within the frame of "ŞubeMe Doğru", which is the Branch Manager Designation Process, 275 Yapı Kredi employees took part in the "Evaluation Center Practice" in 2019.

In this process, each candidate was subjected to Personality Inventory and were involved in three different applications as part of the Evaluation Center Practice.

One-on-one feedback meetings are held with Yapı Kredi employees who take part in the Evaluation Center and they are included in development programs.

Leadership and Talent Management

Talent management and succession planning activities seek to assess the performances and potentials of employees working at different levels of the Bank, and to devise and implement development programs customized for their career goals. In addition to leadership and talent development programs jointly run by one of its principal shareholders, Koç Holding, the Bank continues to support the leadership development of employees with educational and development activities designed in cooperation with the leading business schools in the sector and universities. Within this context, with the aim of creating the sustainable leadership team and raising the leaders that speak the same language across the Bank, 165 employees participated in the development program entitled My Leadership Journey introduced in 2019.

Performance Management

In a bid to support the development of individual and institutional performance, performances of all Yapı Kredi employees working for the Bank and subsidiaries are evaluated, and performance enhancing development activities are planned. Under the Performance Management System revamped in 2019, performance evaluations within the scope of performance management process began to be implemented twice a year: “Interim Performance Evaluation Process” and “Year-End Performance Evaluation Process”. The Bank addresses performance on two axes, namely “Technical Performance” and “Development Performance”. With this new model, the Bank targets to expand the feedback culture, improve the accuracy and reliability of the performance system, identify needs for training and development plans in the light of performance results, and offer solutions for development areas accordingly.

Employee Support Services and Benefits

Yapı Kredi offers various fringe benefits to its employees, such as health insurance, life insurance, employee support program, shuttle services, contributory private pension and Koç Ailem (My Family) Card that provides advantages in a variety of organizations.

Senior management and all employees receive fixed and performance-based income in accordance with the Bank’s Remuneration Policy. More detailed information is provided in the Corporate Governance Principles Compliance Report.

Outlook

- Yapı Kredi’s 2020 goals in relation to Human Resources include the following:
- To be the organization that sets the course of HR practices in Turkey
- Raise the best banking professionals in the Turkish banking sector, create the best leadership team and ensure its sustainability,
- Organize training programs and events for employee development in line with the Bank’s digitalization strategy
- Support the employees in unleashing their potentials in the process of achieving the Bank’s goals

Yapı Kredi Koray Real Estate Investment Trust

Established in 1996, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development. With 30.45% of its shares held by Yapı Kredi, the company is publicly traded on Borsa İstanbul with a market capitalization of TL 96.8 million as at end-2019. In the reporting period, all residential units in the Extensa Bomonti project were sold.

Banque de Commerce et de Placements

Established in 1963 in Switzerland and 31% of its capital held by Yapı Kredi, Banque de Commerce et de Placements (BCP) is active in structured commodity finance, wealth management, treasury and capital markets.

For nearly sixty years, BCP has been offering tailored services to its commercial, private and institutional clients. BCP enjoys a solid reputation as a top quality service provider in its fields of activity and serves an ever-growing number of customers and banks across the globe with a wide range of innovative and value-added products and services. Founded under Swiss Banking Law and Regulations, BCP is supervised by FINMA, the Swiss financial markets supervisory authority. Headquartered in Geneva, BCP also operates through its branches in Luxembourg and Dubai.

In 2019, world commodity trade volume declined due to global trade wars and protectionist economic policies. In the face of rising international economic and political uncertainties, the Bank's risk appetite declined during the year, and the BCP turned to a controlled growth strategy as a strategical choice.

In 2019, BCP booked a net profit of CHF 31.4 million. Together with the free banking provisions, the Bank's economic profit amounts to CHF 38.6 million. In the same period, BCP registered a RoE of 7.4%, a cost-to-income ratio of 54%, and a tier1 ratio of 15%. International commodity finance volume of BCP decreased by 6% year-over-year and was recorded as CHF 25.7 billion in 2019. Despite the flat level in economic profit, the Bank's consistency in customer-oriented business policy has enabled BCP to increase its awareness in the commodity finance market.

Having set its strategic goal as product and geographical diversification in its main business lines, BCP intends to continue expanding its customer base while maintaining good asset quality backed by effective risk control as its top priority.

Allianz Yaşam ve Emeklilik

Allianz, one of the largest insurance companies and asset management groups in the world, serves 92 million customers with over 142 thousand employees in more than 70 countries.

As a company operating under Allianz Turkey, aiming to pioneer next-generation insurance with a focus on customer satisfaction and technology and to become a social brand improving the society's life standards, Allianz Yaşam ve Emeklilik operates in private pension and life insurance, offering individual and corporate customers a wide range of tailored products.

Allianz became the principal shareholder of Yapı Kredi Pension on 12 July 2013 by purchasing 80% of its shares. Following the change in shareholding structure, the name of the company was changed to Allianz Yaşam ve Emeklilik on 27 September 2013.

Having remained a 20% shareholder in the company, Yapı Kredi works within the frame of a strategic cooperation with Allianz. The cooperation between the Bank and Allianz is governed by a 15-year exclusive bancassurance agreement. Accordingly, insurance and private pension products of Allianz are brought to customers through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

Yapı Kredi Kültür Sanat Yayıncılık – 2019

Established in 1984 and wholly owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKSY) is one of the most deep-rooted culture and art companies in Turkey. YKKSY brings important publications, cultural events and exhibitions to the society, which make valuable contributions to social development and cultural life.

Yapı Kredi Culture and Art Exhibition Halls hosted a number of exhibitions in 2019: "Orhan Pamuk: Balkon/Photos", "Turhan Selçuk: A Retrospective", "Halil Altındere – Abracadabra", "Atatürk's İstanbul Days (1927-1938)", and "Meanwhile in the Mountains: Sagalassos". Opened in 2019, these exhibitions received approximately 115 thousand visitors.

During the reporting period, nearly 20,000 visitors were hosted in 340 events organized in Loca, Yapı Kredi Culture and Art performance hall, and in Oda located in YKY Beyoğlu Bookstore.

Having published its 5,500th title since its establishment, Yapı Kredi Publications published 1,100 titles in 2019, 265 of them new, for a total of around 6 million books. YKKSY has planned to publish 250 new titles in 2020. Throughout the year, approximately 60 thousand students, teachers and librarians were brought together with authors and editors within the scope of 125 school and library events.

Yapı Kredi Technology

Yapı Kredi Technology was founded in 2015 as a wholly-owned technology subsidiary of Yapı Kredi to offer innovative, creative and high value-added products and solutions in the finance sector. The company is located in İstanbul Technical University ARI Technopark.

The company's research and development activities mainly concentrate on two areas:

- Artificial intelligence (machine learning, natural language processing, data mining)
- Mobile software development (on iOS and Android platforms)

In 2019, the mobile banking channel sustained its expansion across the banking industry, and became the primary distribution channel of banks.

In keeping with this expansion, Yapı Kredi Technology kept further improving Yapı Kredi Mobile Banking app, and enriched it with a large set of innovative capabilities. In addition, World Mobile app, the new digital wallet application of Yapı Kredi, went live on both Android and iOS platforms.

Introduced at the end of 2018 and its initial outputs already available, FOCA, an R&D project supported by TÜBİTAK ((The Scientific and Technological Research Council of Turkey), was put to extensive usage and brought significant gains. The project is intended to process customers' financial statements employing natural language processing techniques and to secure digitization of financial analysis.

Developed within the scope of TÜBİTAK-supported R&D projects, project SAFİR is an artificial intelligence-based app that classifies transaction orders from customers and eliminates manual data entry through automated extraction of transaction details from these orders. During 2019, Project SAFİR was updated to incorporate deep-learning techniques, resulting in significant increase in product success rates.

In 2019, banking chatbot and new projects for determining credit card fraud were also developed; efforts in these areas will be ongoing in 2020.

In the 2019 edition of the annual ITU ARI Teknokent Beetech Technology Awards, Yapı Kredi Technology was honored with the 1st place in University-Industry Cooperation in the medium-scale company and in the National/International Supported Project categories. These awards exhibit the importance Yapı Kredi Technology accords to its ecosystem and R&D activities.

In 2020, Yapı Kredi Technology will concentrate on creating even more value by sharing its know-how in relation to artificial intelligence with the Group companies. The company will also develop collaborations in an effort to commercialize its proprietary software products developed to date for the finance field.

Through its investments in R&D activities and technology, Yapı Kredi Technology aims to be the first company that comes to mind with respect to artificial intelligence and mobile banking technologies in the banking sector.

CUSTOMER EXPERIENCE RESEARCH

Aiming for ongoing improvement of customer experience and satisfaction

Yapı Kredi remained one of the banks ensuring highest customer satisfaction in 2019.

A Customer Experience Committee is set up at the Bank for closely monitoring customer experience in a holistic manner. This platform ensures regular follow-up of quality data, customer complaints, and customer perception measured via various surveys. Thanks to the activities of the Committee, topics and projects that need to be prioritized for improving customer experience at the Bank are submitted for management approval with an effective approach, which are then implemented, and their implications are pursued.

Throughout 2019, more than 500,000 customers provided feedback on various topics to Yapı Kredi. A substantial portion of the feedbacks are tracked on a daily basis by the related branch managers/team leaders, and are evaluated comprehensively employing a reporting system that allows for swift actions. Customer satisfaction scores collected are among the Bank's performance measurement indicators.

Yapı Kredi recognizes that employee experience makes up a significant part of customer satisfaction. The Bank annually monitors in detail internal customer satisfaction that measures the quality of employees' co-working performance, as well as their loyalty to Yapı Kredi. Continuous enhancement of these indicators takes place among the goals of Yapı Kredi's management.

Yapı Kredi successfully internalized the corporate citizenship concept.

Believing in the vitality of a sustainable future, Yapı Kredi works to internalize the notion of corporate citizenship in all of its operations.

While it develops its social responsibility projects in line with the needs and expectations of the society, the Bank encourages active engagement of its stakeholders and provides support to societal activities undertaken by Koç Holding.

Since its foundation in 1944, Yapı Kredi has been consolidating the investments made in education, culture & arts, environment and sports through innovative and sustainable social responsibility projects seeking lasting solutions to social problems, and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to expand the benefits of these projects to wider audiences.

Cultural and Arts Projects

Yapı Kredi Cultural Activities, Arts and Publishing fills a major gap in the artistic and cultural life in Turkey.

In 2019, Yapı Kredi Publications published 264 new titles and nearly 1,100 reprints. During the year, around 125 school and library events brought together approximately 70 thousand students, teachers and librarians with authors and editors. Having hosted more than 150 thousand art lovers in various events held in its venues, Yapı Kredi Culture and Art Center occupies a significant place in the world of culture and arts in Turkey.

Yapı Kredi Afife Theater Awards – Turkey's most prestigious and longest-lasting arts award

Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater and individuals who have dedicated their lives to this art form, transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

In 2019, Yapı Kredi's outlays in cultural and artistic activities and corporate social responsibility initiatives amounted to TL 7 million. In addition, the Bank's donations and grants added up to TL 14.4 million.

YAPI KREDİ 75TH YEAR EVENTS

Yapı Kredi 75th Year Concerts

Yapı Kredi works to internalize the notion of corporate citizenship in all of its operations.

Through its "75th Year Concerts", Yapı Kredi contributed to bringing worldwide leading artists, bands and musicals on stage in Turkey throughout 2019. Among the artists that performed in Turkey by virtue of the Bank's 75th year celebrations were Havasi, Eric Burdon & The Animal, David Garrett and Postmodern Jukebox. Additionally, a worldwide classic, Fame the Musical was also staged in Turkey at the end of 2019.

Yapı Kredi 75th Year Exhibitions

Patron of culture and the arts, Yapı Kredi saluted art lovers with a program packed with photography, painting and sculpture exhibitions within the scope of its 75th year events.

As part of Yapı Kredi 75th Year Exhibitions, Yapı Kredi Culture and Art Exhibitions Halls hosted a very special exhibition commemorating the centennial of the day Mustafa Kemal Atatürk set foot in Samsun, Anatolia heralding the onset of the Turkish War of Liberty. Titled “Atatürk’s İstanbul Days”, the exhibition showcased the photographs of Atatürk during his time in İstanbul as taken for the news articles by the photojournalists in that period. The exhibition provided a photographic account of Atatürk’s days starting from 1 July 1927, the first day he came to İstanbul after the War of Liberty, until 10 November 1938, when he passed away in Dolmabahçe Palace.

Covering the entire timeline of the works of Turhan Selçuk who pioneered the modernization of the Turkish art of cartooning, Turhan Selçuk: A Retrospective was put on display at Yapı Kredi Culture and Art Exhibitions Halls. Showcasing approximately 400 original works, the exhibition presented the famous cartoonist’s drawings published in various national newspapers and those printed in domestic and foreign magazines compartmentalized in decades starting from the 1940s through the 2000s.

Yapı Kredi 75th Year Exhibitions have also been the scene to the first sculpture exhibition of Halil Altındere, an eminent contemporary artist who represented Turkey at the Venice Biennial this year. The exhibition that opened at Yapı Kredi Culture and Art Exhibitions Halls displayed the artists’ sculptures of mixed media and metal on different themes, as well as his hyper-realist sculptures.

The Sagalassos Exhibition was brought to Yapı Kredi Museum in Beyoğlu, İstanbul in cooperation with the Burdur Museum of Archeology, presenting 370 historic works within a thematic and chronological content to art and history enthusiasts.

The first one of the exhibitions held at Yapı Kredi Bomontiada as part of Yapı Kredi 75th Year Exhibitions brought to art lovers some unique shots taken by valued photographer Lütfi Özgünaydın during his trip in Çukurova with Yaşar Kemal.

Nazım Hikmet exhibition held at Yapı Kredi Bomontiada covered 150 books of the immortal poet which were published during his lifetime, his handwriting and photographs. On the other hand, “Aliye, My Heart, Filiz, My Soul” put on display at Yapı Kredi Bomontiada presented fractions of Sabahattin Ali’s life based on official documents.

Colors from Yapı Kredi Collection Exhibition

The exhibitions titled “Colors from Yapı Kredi Collection” covered the works by the pioneering names of the Turkish art of painting from Osman Hamdi Bey to İbrahim Çallı, Neşet Günal to Cevat Dereli, and Nejat Melih Devrim to Ferhat Özgür. Besides the works of artists who produced in various genres such as landscapes, still-life, abstract, contemporary art and so on, the display included precious shots taken by photojournalists of the time, among which there were photographs of our great leader Mustafa Kemal Atatürk, from the Yapı Kredi History Archives Selâhattin Giz Collection.

Colors from Yapı Kredi Collection exhibition made its first stop in 2019 in Bursa, and then went on to Ankara, İzmir and Antalya. The exhibition will be traveling to different cities in 2020.

Projects Directed at Handicapped Individuals

“Let’s Remove the Obstacles”

Yapı Kredi launched a social awareness program aimed at the International Week of Persons with Disabilities. 3-d murals displayed on giant boards designed by graffiti artist Kien and set up in Beşiktaş and Caddebostan attracted great interest from the crowd.

The stories in the murals designed with the slogan “Let’s Remove the Obstacles” show different artworks when viewed through the red/blue lenses placed in front of the boards. In his two-shade special design, Kien used double-exposure 3D technique.

Sustainability and Yapı Kredi

Sustainability Structure

Yapı Kredi manages its activities coordinated by the Sustainability Committee within the framework of the Sustainability Management System it has established, and works to integrate its sustainability principles into all of its fields of activity.

Sustainability Report

Yapı Kredi's 2018 Sustainability Report has been prepared in accordance with the GRI Standards: Core option, taking GRI Financial Services Sector Disclosures as a reference. The report has been shared with all stakeholders in 2019.

Sustainability Indices and Ratings

Yapı Kredi qualified to be one of the 50 companies included in Borsa İstanbul Sustainability Index, and in FTSE4Good Emerging Index maintained by Financial Times Stock Exchange Group owing to its environmental, social and governance (ESG) performance also this year.

Carbon Disclosure Project

Yapı Kredi continued to share its strategy, targets and performance regarding climate change and its water consumption this year in its Carbon Disclosure Project (CDP) Climate Change and Water reports with all stakeholders.

United Nations Principles for Responsible Banking

In 2019, Yapı Kredi joined the UN Principles for Responsible Banking as a founding signatory and took place among the global banks giving direction to the sustainability agenda.

Gender Equality

Yapı Kredi continues to support the "I Support Gender Equality For My Country" initiative led by Koç Holding in June 2015. Under the project, awareness raising training is given by volunteer trainers to Yapı Kredi Head Office and branch employees. The number of employees who received awareness training was approximately 8,300 by year-end 2019.

Mardin İpekyolu Guesthouse Project

In cooperation with the Foundation for the Support of Women's Work (in Turkish: KEDV), Yapı Kredi extends support to help improve the capacities of women's cooperatives and to economically and socially empower women with low income. In that context, the Bank contributes to the employment of women by supporting the Mardin İpekyolu Guesthouse project together with KEDV.

Yapı Kredi aims to integrate its sustainability principles in all of its business areas.

Educational Projects

I Read, I Play

In collaboration with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular educational activities. More than nine thousand volunteers at TEGV's activity points around the country are implementing the project. The project reached 313 thousand children by the end of 2019.

Colorful Pens

As an ancillary leg of the Project "I Read, I Play", Colorful Pens equip children with reading, writing and researching skills, while also teaching them about the fine details of media literacy and journalism. Children participating in the project build on 'listening-understanding' and 'speaking-telling' skills, as well as receiving education on various topics such as accurately expressing oneself, creative thinking and research techniques. Children report to the public the events taking place in their cities via the Colorful Pens Newspaper, which is completely designed by them from the page layout to photographs, news content to design. Under the Colorful Pens Project that was participated by 48 journalists from local and national press, 89 volunteers and 494 children as at year-end 2019, 45 newspapers were published in 31 cities where TEGV Educational Volunteers of Turkey Foundation is active between 2013 through 2019. The archive of these bulletins is accessible at www.renklikalemler.org.

Science Migration to Anatolia

In 2018, Yapı Kredi began extending support to the social development project "Science Migration to Anatolia" devised by the Young Guru Academy (YGA) with the aim of popularizing science among children. The project, which also included Yapı Kredi Volunteers, reached 5 thousand children in 50 provinces within three years.

Donating to Education via Vadaa

Yapı Kredi Publications Bookstores put on sale Vadaa soft toy, the much-liked mascot of Yapı Kredi World, on TEGV online stores and dr.com.tr. The revenues derived on the sales are donated to TEGV for use in the education of children.

TOG BAZAAR sponsorship

In order to attract attention to social responsibility initiatives carried out by young Community Volunteers (TOG), Yapı Kredi has been sponsoring TOG BAZAAR with its Crystal card for seven years. With the funds raised at the TOG BAZAAR organized in 2019 and visited by over 3 thousand people, social responsibility education and projects of 1,619 young people were supported.

Environmental Projects

Zero Waste Project

Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2019, more than 1 million kilograms of paper and paper packaging, more than 12 thousand kilograms of plastic and plastic packaging, more than 13 thousand kilograms of glass and glass packaging and over 35 thousand kilograms of metal and metal packaging were collected for recycling. Furthermore, Yapı Kredi prevented the release of more than 199,539 tons of carbon dioxide to the atmosphere, saved over 18,753 trees, 30,887 cubic meters of water, 5,197,344 kWh of energy and 42,585 liters of crude oil. With these wastes recycled, 3,169 cubic meters of stowage area in landfills were saved. Various events were organized and announcements were made on special occasions to ensure revision of all recycling bins in D Block at Yapı Kredi Plaza, removal of trash bins underneath the desks to make sure that waste is sorted at source, prevention of consumption of single-use plastics and paper cups, and instilling the habit of using own glasses/mugs in employees to achieve alignment with the Zero Waste regulation.

ISO 14064

From 2011, Yapı Kredi has been calculating its greenhouse gas (GHG) emissions of the Head Office and facility buildings (Yapı Kredi Plaza D Block, Banking Base, Darıca Building, Yeniköy Koru Building, Bayramoğlu Training Building) in accordance with ISO 14064-1 Greenhouse Gases Emissions Reporting Standard, verified and certified by independent accredited institutions. Taking its efforts in this vein one step further in 2019, the Bank canceled out the indirect greenhouse gas emissions of the Yapı Kredi Head Office Plaza Building D in 2018 by purchasing Gold Standard certified voluntary emission reduction rights (carbon certificates).

ISO 14001

During 2019, Yapı Kredi successfully completed the recertification audit of the Head Office Buildings, Yapı Kredi Plaza D Block and the Banking Base for ISO 14001 Environmental Management System Certification.

Also the validity audit of the ISO14001 certification obtained for Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Koray REIT, Yapı Kredi Cultural Activities, Arts and Publishing, Yapı Kredi Asset Management and Yapı Kredi Invest in 2018 was successfully completed, thus reinforcing the Bank's determined stance in relation to environmental standards.

ISO 14046

Yapı Kredi addresses the universal issue of water scarcity as a whole. "ISO 14046 Direct Water Footprint Certificate" has been obtained for the Bank's Head Office and facility buildings (Yapı Kredi Plaza, Banking Base, Darıca Building, Yeniköy Koru Building, Bayramoğlu Training Building) within the scope of 2019 environment-related targets, in order to make sure that our water resources are used efficiently, to monitor water consumption, and to report its water management performance in a transparent manner. Yapı Kredi received ISO 14046 Direct Water Footprint Compliance Statement, and became the one and only financial institution satisfying this standard in Turkey.

Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources.

Pledge to Quit Single-Use Plastics

Yapı Kredi has taken measures to fight against plastic consumption, one of the most important environmental issues in the 21st Century. Plans have been drawn up targeting to gradually eliminate the consumption of single-use plastics at all operation points by the end of 2020.

Turkey's Life Small Grant Program by WWF Turkey

Yapı Kredi has been supporting WWF-Turkey's "Turkey's Life Small Grant Program" since 2014 in a bid to raise awareness of biodiversity in our country and to raise funds for projects designed to protect our natural heritage. In this context, Yapı Kredi has become the main sponsor of Turkey's Soul Small Support Program of WWF-Turkey for the 2019-2020 period.

'Plastic Hunters İstanbul' Project

Yapı Kredi conducted a support campaign for the "Plastic Hunters İstanbul" Project co-launched by Marka Conference and WWF-Turkey in an attempt to reduce İstanbul's plastic waste and to ensure recycling of used plastics. Under the campaign, customers were provided with the chance to voluntarily donate the bonus points earned with their World cards to the project via World Mobile. 50 thousand people took part in the campaign.

Relations with the Academic Community

Anatolian Scholars

With 11 scholars supported in 2019, Yapı Kredi sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011.

Yapı Kredi Vocational and Technical Anatolian High School

Yapı Kredi Vocational and Technical Anatolian High School is one of the main projects Yapı Kredi supports in the field of education. Located in Çayırova, Kocaeli the high school began to offer education in the 2008-2009 academic year, and had its first graduates in 2012. Today, over 500 students pursue their education in Child Development and Education, Graphics and Photography, Information Technologies, Food and Beverage Services and Office Management departments of the high school.

In 2019, 20 Yapı Kredi Vocational and Technical Anatolian High School students benefited from the educational achievement scholarship initiated in 2012.

Yapı Kredi Professorship in Economic Research

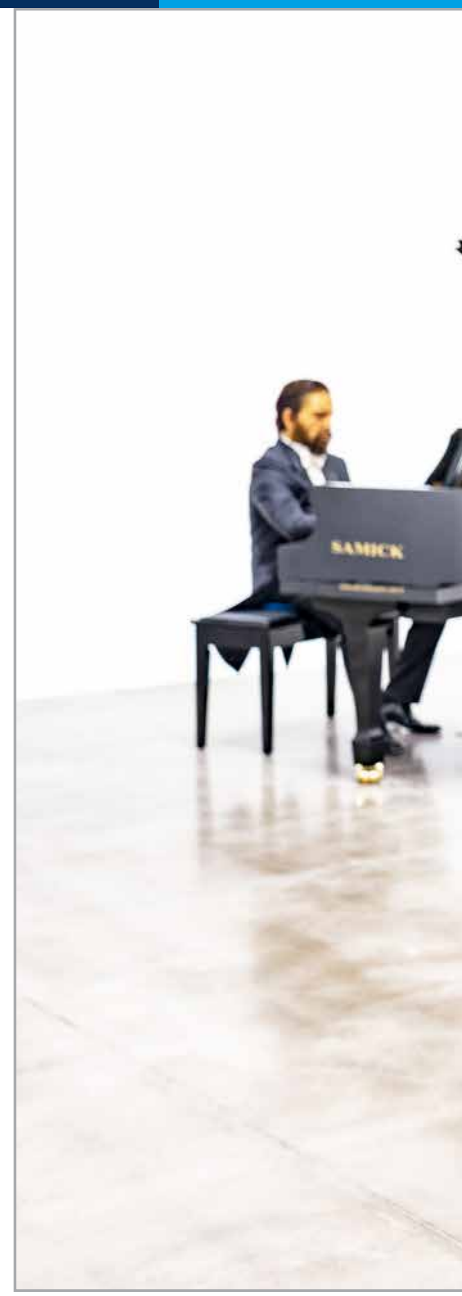
Yapı Kredi established the Yapı Kredi Professorship in Economic Research at Koç University to remove the borders between the finance sector and the universities. Yapı Kredi Professorship in Economic Research target to provide a joint working platform for the academics working in the fields of economics and finance, and private sector professionals with the ultimate goal of contributing to the sustainable development of our country. Yapı Kredi Professor of Economic Research is Prof. Selva Demiralp, faculty member of Koç University College of Administrative Sciences and Economics.

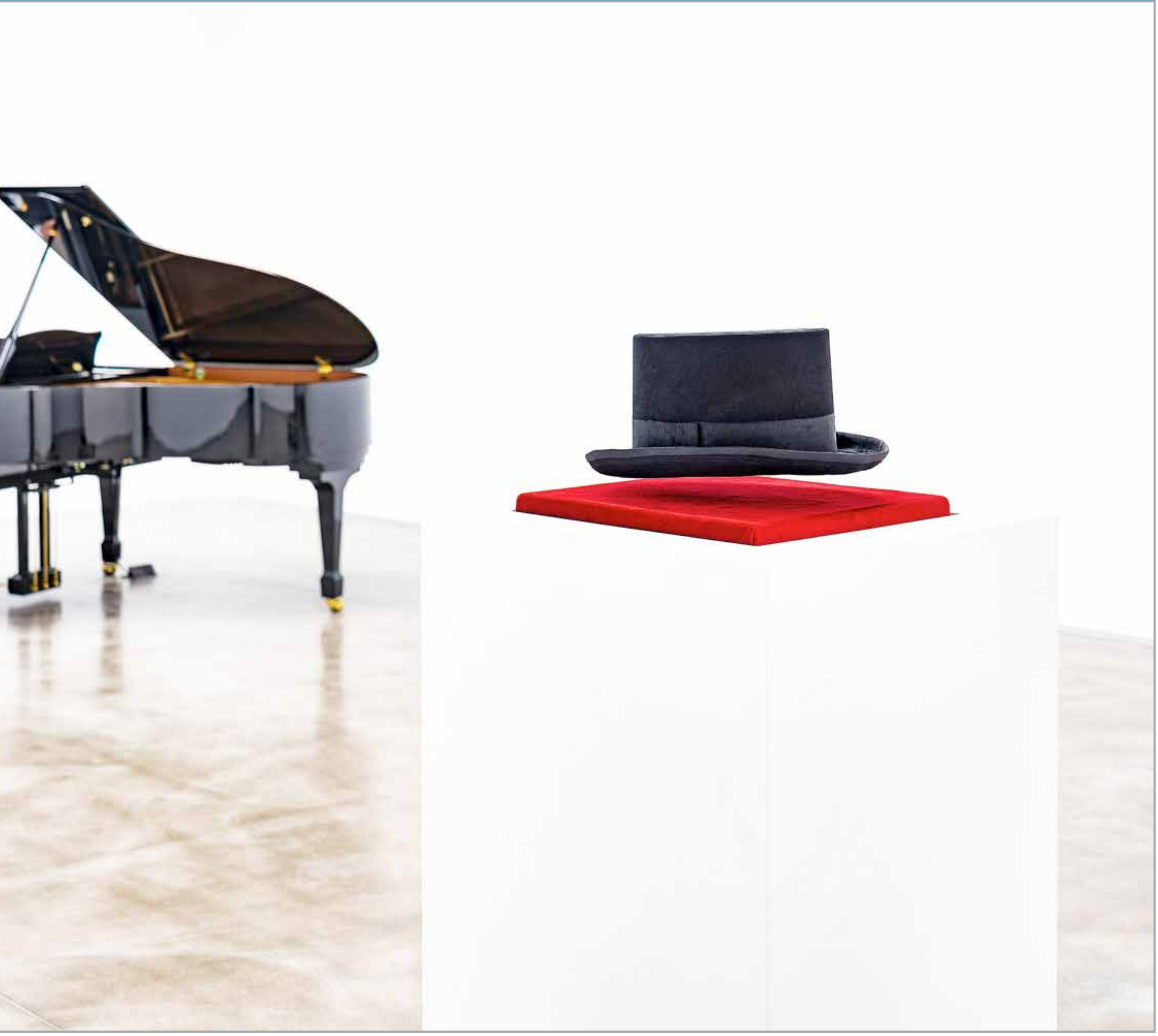
YAPI KREDİ 75 YEARS EXHIBITIONS

Halil Altındere - Abrakadabra Exhibition

"Abrakadabra", the solo exhibition of the pioneer of current art Halil Antındere, set the artist as a magician, the art works as magic accessories and the exhibition area as a stage. The curator of the exhibition was the world-renowned independent curator and critic Hou Hanru, who also curated the 10th İstanbul Biennial.

Altındere, whose three works were exhibited in the Venice Biennial, displayed his recently created three dimensional pieces at "Abrakadabra". The exhibition which brought together his hyper-realistic statues, bronze works and installations questioned the transitivity of the border between the reality of daily life and the imaginary world.





Ali Y. KOÇ

Chairman of the Board of Directors

Ali Y. Koç graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. Between 1990-1991, he attended the American Express Bank Management Trainee program. Between 1992 and 1994, he worked as an Analyst at Morgan Stanley Investment Bank. Between 1997-2006, Koç held various senior level positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group. Between 2006-2010, he was the President of the Corporate Communications and Information Technology Group. Koç has been a Board Member of Koç Holding since January 2008 and was named Vice Chairman in February 2016. He is also the Chairman of various Koç Group companies. Additionally, Koç contributes to the country's social and economic development by serving as President at Fenerbahçe Sports Club, President at URAK (International Competition Research Association) and as a Board Member at Endeavor Association and DEİK (Foreign Economic Relations Board). He is also the Vice Chairman of TÜSİAD (Turkish Industry and Business Association), a Member of the Global Advisory Council of Bank of America, Harvard University and CFR and a Member in the Panel of Senior Advisers for Chatham House. Additionally, he has recently joined the Confederation of British Industry. Koç has been Board Chairman of Yapı Kredi and Koç Financial Services since April 2016.

Niccolò UBERTALLI

Vice Chairman of the Board of Directors

Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011-2012, as the Head of Group Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012-2015, he was a Member of Management Board for UniCredit Tiriac as well as Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. From 2015-2019, he continued his career in Yapı Kredi as executive director and Deputy Chief Executive Officer. In 2019, he was appointed co-CEO Commercial Banking, CEE. He is member of the UniCredit Executive Management Committee.

Gökhan ERÜN

Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from İstanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999 and 2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Marco IANNACCONE

Executive Director and Chief Operating Officer

Marco Iannaccone graduated from Università degli Studi di Venezia Business Administration in 1993 and completed his MBA degree at Clemson University in 2003, where he was previously a graduate assistant in 1994. Between 1995 and 1997, he worked at KPMG as Consultant. In 1997, he started to work at Andersen Consulting as Senior Consultant. In 1999 he moved to Deutsche Bank and continued his career working in several departments, last of which was as the Head of Private & Business Banking until 2002. Moving to UniCredito Italiano in 2002, Iannaccone held a number of managerial positions in the Group, including Central and Eastern Europe Mergers and Acquisitions, Business Development, Private Banking, Strategy, Planning and Control until 2008. In 2008, Iannaccone assumed the position of Chief Financial Officer and Vice President of the Management Board at Bank Pekao in Poland. Between 2013-2016, Iannaccone worked as the Assistant General Manager and CFO at Yapı Kredi. In 2016, he moved to Hungary and assumed the position of Deputy CEO at UniCredit Bank Hungary Zrt. As of June 2019 Iannaccone has continued his career in Yapı Kredi as Executive Director and Chief Operating Officer.

Ahmet F. ASHABOĞLU

Member of the Board of Directors

Ahmet F. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master's of Science degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT. Between 1996-1999, Ashaboğlu held various positions in capital markets within UBS Warburg, New York. Between 1999-2003, he worked as a Management Consultant at McKinsey & Company, New York. In 2003, Ashaboğlu joined Koç Holding as Finance Group Coordinator. Since 2006, he has been serving as the CFO of Koç Holding. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Ashaboğlu is also a Board Member at Yapı Kredi Koray Real Estate Investment Trust and various Koç Group Companies.

Levent ÇAKIROĞLU

Member of the Board of Directors

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his professional life in Ministry of Finance in 1988. 1997-1998, he taught as part time instructor at Bilkent University and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002-2007, the CEO of Migros between 2007-2008, the CEO of Arçelik between 2008-2015 and the President of the Durable Goods Group of Koç Holding A.Ş. between 2010-2015. Çakıroğlu was appointed as the Deputy CEO of Koç Holding in February 2015 and he took over the CEO post on April 2015. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since April 2015, Çakıroğlu is also a Board Member in various Koç Group Companies.

Mirko D. G. BIANCHI

Member of the Board of Directors

Mirko D. G. Bianchi holds a Masters degree in Chemical Process Engineering Science from Swiss Federal Institute of Technology. In 1991, Bianchi received his MBA degree in Marketing & Finance from Fordham University (New York). Bianchi started his career at BCI Capital (New York) as an Equity Analyst. Between 1993-1998, he worked as Senior Analyst (Vice President) at Moody's Investors Service. In 1998, Bianchi joined Deutsche Bank Securities as a Director at the Global Debt Capital Markets Department. Between 2000-2009, he worked at UBS Investment Bank (London) as Managing Director and Global Head of Ratings Advisory. In October 2009, Bianchi joined UniCredit as Head of Group Finance in the CFO department and Co-Head of the Group Treasury. Between June 2015-September 2016, he was appointed as CFO for Austria & CEE of UniCredit Bank Austria and served as Member of the Management Board. In September 2016, Bianchi was appointed as the CFO of UniCredit. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since July 2015, Bianchi is also a Board Member at some UniCredit Group Companies.

A. Ümit TAFTALI

Member of the Board of Directors

A. Ümit Taftalı earned his B.S. in Finance from Ball State University (Indiana) and his MBA degree from University of South Carolina. He also participated in senior executive programs at Harvard University. Taftalı is an investment banker and wealth manager with over 30 years of international experience. He has worked in executive positions in Atlanta, New York and London for Merrill Lynch & Company, Bankers Trust Company and Goldman Sachs International. Taftalı has been representing and advising Mrs. Suna (Koç) Kıraç since 2001 and is a Member of Koç Holding Executive Committee. He is also Board Chairman of Kare Portföy. Taftalı is or has been Board/Founding Member of various philanthropic and professional organizations such as Suna-İnan Kıraç Foundation, Educational Volunteers Foundation of Turkey (TESEV), Turkish Industrialists and Businessmen Association (TÜSİAD), Saint Joseph Educational Foundation, Educational Volunteers Foundation of Turkey (TEGV), Galatasaray Sport Club, American Finance Association (USA), Financial Management Association (USA), Museum of American Financial History (USA), Ball State University Foundation (USA), Turkish Bankers Association (UK), University of South Carolina Foundation (USA). Taftalı has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Giovanna VILLA

Member of the Board of Directors (Independent)

Giovanna Villa earned her Bachelor's degree in Financial Administration from Bocconi in 1991 and obtained a Certified Public Accountant (CPA) certificate in 2000. Between 1991-1995, Villa worked as a Senior Auditor at Pricewaterhouse Coopers. Between 1995-1997, she was an Assistant in the administration department at Santavaleria (an Italian listed company). In 1997, Villa provided accounting consultancy to SME companies. Between 2009-2011, she worked as an Assistant to the Internal Auditor at Aler Azienda Lombarda Edilizia Residenziale. Since 2000, Villa has been a Member of the Audit Committee for several companies such as Lenovo Italy, Ritrama Group, Sias Monza Circuit, Lux Vide and Malvestiti. In 2019, she was appointed as Statutory Auditor in Intek Group and TitanMet, Italian listed companies. Villa has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Gianfranco BISAGNI

Member of the Board of Directors

Gianfranco Bisagni holds a degree in Business Administration from Royal Melbourne Institute of Technology. He started his career in the Italian UniCredit network and shortly thereafter, moved to the United States. His first appointment was in the Chicago office. He was than relocated to New York, where he took over as Deputy Chief Manager for the UniCredit New York branch, responsible for all the representative offices in North and South America. In 2001, he was named Chief Manager of UniCredit´s Hong Kong branch and in 2008, Head of Corporate Banking Asia Pacific & Chief Manager Hong Kong branch. In 2010, he started to serve as Head of Corporate and Investment Banking & Private Banking at UniCredit Tiriac Bank Romania, where he was also appointed a Member of the Management Board. Between 2011 and 2015, he acted as Head of Central and Eastern Europe (CEE) Corporate and Investment Banking and as Deputy Head of CEE Division of UniCredit. In April 2015, he was appointed as the Deputy and in September 2016, as the Co-Head of Corporate and Investment Banking. Bisagni has been Board Member of Yapı Kredi and Koç Financial Services since October 2016.

Wolfgang SCHILK

Member of the Board of Directors (Independent[2])

Wolfgang Schilk graduated from University of Wien Law School in 1992 and completed his postgraduate management trainee program at Creditanstalt- Bankverein (CA-BV). Between 1994-1996, he worked at CA-BV as the Restructuring and Workout Manager responsible for Corporate Banking. Between 1996-2004, Schilk worked as the Head of Credit Unit at Bank Austria Creditanstalt. In 2004, he became the Head of Regional Office responsible for Corporate Banking. In 2006, he worked as the Head of Regional Office responsible for Private and SME segments. Between 2007-2010, he was the Head of Risk Management responsible for Private and SME segments in Bank Austria. Between 2010-2016, Schilk served as the CRO of Yapı Kredi. In September 2016, he was appointed as UniCredit Chief Risk Officer (CRO) for Central and Eastern Europe (CEE) region. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since October 2016, Schilk is also Supervisory Board Member at UniCredit Bank Czech Republic & Slovakia and Zagrebacka Banka.

Carlo VIVALDI

Member of the Board of Directors

Carlo Vivaldi graduated from University of Ca'Foscari (Venice, Italy) Department of Business Administration. He started his career in 1991 as Teller in Cassamarca, which merged into UniCredit in 1998. From 1993, he continued his career in various Planning and Control teams. In 2000, Vivaldi became responsible for Planning and Control for the New Europe Division (today's Central and Eastern Europe - CEE). In 2003, he became the Chief Financial Officer (CFO) of Koçbank/Koç Financial Services. In 2007, he became a Member of the Management Board and CFO of UniCredit Bank Austria (covering Austria and the CEE countries of UniCredit). He also became a Member to several Supervisory Boards in CEE subsidiaries. In 2011, Vivaldi was appointed as the Executive Director and Deputy CEO of Yapı Kredi. Between 2015 – 2019, he served appointed as the Head of CEE Division of UniCredit, Deputy Board Chairman of Yapı Kredi and Koç Financial Services, Supervisory Board Member in Russia and Member of the Board of directors in both UniCredit Foundation and UniCredit Services and a Member of the UniCredit Executive Management Committee. Since 2019, Carlo has been serving as s Co-Chief Operating Officer at UniCredit, maintaining the positions of Board Member of Yapı Kredi, Member of the Board of directors in both UniCredit Foundation and UniCredit Services and Member of the UniCredit Executive Management Committee.

Dr. Ahmet ÇİMENOĞLU

Member of the Board of Directors (Independent[1,2])

Ahmet Çimenoğlu graduated from Department of Economics at Boğaziçi University in 1992. After completing his MA in Economics at Boğaziçi University, Çimenoğlu started his professional life as an Economist at Yapı Kredi in 1995. In 2002, he received his PhD degree in Economics from İstanbul Technical University. Çimenoğlu worked as the Chief Economist and as Head of Strategic Planning and Research at Yapı Kredi between July 2004 and February 2009. In March 2009, he joined Koç Holding as the Head of Economic Research. Çimenoğlu is currently the Chief Economist of the Koç Holding. Çimenoğlu has been a Board Member of Yapı Kredi and Koç Financial Services since March 2019.

Virma SÖKMEN

Member of the Board of Directors (Independent[1])

Virma Sökmen has a Bachelor degree in Finance from LaSalle University. She began her professional career at research and investment banking departments of Körfezbank and Çarşı Menkul Değerler. Between 1993 and 2001, she worked at Midland Bank as a Credit Analyst. Between 2001 and 2010, she served as Corporate Banking Group President and an Executive Vice President of Corporate and Commercial Banking at HSBC. Sökmen managed corporate banking, commercial banking foreign trade and provision management, factoring, corporate and commercial insurance, corporate marketing and cash management units since 2010. Sökmen also served as the Assistant General Manager, responsible from Corporate and Commercial Banking, at HSBC. Since 2016, Sökmen has been a Managing Partner at Credia Partners. Sökmen has been a Board Member of Yapı Kredi and Koç Financial Services since March 2019.

(1) *Based on Bank's General Assembly Meeting dated 18 March 2019, Ahmet Çimenoğlu and Virma Sökmen were elected as Members of the Board of to replace Fatma Füsun Akkal Bozok and Adil Giray Öztoprak, respectively.*

(2) *Based on Capital Markets Board's Item 6(3)a of the Communique Serial II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee and Ahmet Çimenoğlu, Member of the Audit Committee are deemed as Independent Board Members.*

Notes:
The members of the Board of Directors each have a one-year term of duty. Appointments of members are set out annually at the Annual Shareholders' Meeting.

Ali Y. Koç, Ahmet F. Ashaboğlu, Levent Çakıroğlu, A. Ümit Taftalı and Ahmet Çimenoğlu, who are members of the Board of Directors, are also members of Board of Directors at other Koç Group companies due to their positions in Koç Holding.

Carlo Vivaldi, Mirko D. G. Bianchi, Niccolò Ubertalli, Gianfranco Bisagni and Wolfgang Schilk, who are members of the Board of Directors, are also members in other UniCredit companies due to their positions in UniCredit Group.

Gökhan ERÜN

Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from İstanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999 and 2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Marco IANNACCONE

Executive Director and Chief Operating Officer

Marco Iannaccone graduated from Università degli Studi di Venezia Business Administration in 1993 and completed his MBA degree at Clemson University in 2003, where he was previously a graduate assistant in 1994. Between 1995 and 1997, he worked at KPMG as Consultant. In 1997, he started to work at Andersen Consulting as Senior Consultant. In 1999 he moved to Deutsche Bank and continued his career working in several departments, last of which was as the Head of Private & Business Banking until 2002. Moving to UniCredito Italiano in 2002, Iannaccone held a number of managerial positions in the Group, including Central and Eastern Europe Mergers and Acquisitions, Business Development, Private Banking, Strategy, Planning and Control until 2008. In 2008, Iannaccone assumed the position of Chief Financial Officer and Vice President of the Management Board at Bank Pekao in Poland. Between 2013-2016, Iannaccone worked as the Assistant General Manager and CFO at Yapı Kredi. In 2016, he moved to Hungary and assumed the position of Deputy CEO at UniCredit Bank Hungary Zrt. As of June 2019 Iannaccone has continued his career in Yapı Kredi as Executive Director and Chief Operating Officer.

Erhan ADALI

Assistant General Manager - Corporate and Commercial Banking

After graduating from the Faculty of Political Sciences, Public Administration at İstanbul University in 1987, Erhan Adalı began his professional career at Garanti Bankasi as an Internal Auditor. After serving in various positions, Adalı worked as the Corporate Branch Manager, Commercial Banking Regional Manager and Coordinator in SME Banking Marketing between 1997 and 2005. Adalı worked as the CEO of Garanti Pension and Life Company from 2005 to 2012 and continued to serve as Executive Vice President of Credits at Garanti Bank until 2015. He served as a member of Board of Garanti Leasing and Garanti Mortgage in 2015-2017. Adalı has been Assistant General Manager in charge of Corporate and Commercial Banking and a Member of the Executive Committee since March 2018. Adalı is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.

Hakan ALP

Assistant General Manager - Human Resources and Organization

After graduating from Ankara University, Faculty of Political Sciences, Department of International Relations, Hakan Alp started his professional career in 1991 at Garanti Bank's Audit Department and then served as Training Manager at the same bank between 1997 and 1999. Alp has worked for Humanitas Doğuş Human Resources Management as Assistant General Manager in charge of Training, Executive Development, Finance and Administration, Operation between 2000 and 2003. Alp served as Assistant General Manager of Human Resources Management at Tansaş Retail Chain between 2003 - 2005, and then he became Assistant General Manager of Human Resources Management at Sütaş in 2006. Alp started to work as Human Resources Executive Vice President at QNB Finansbank in 2007 and was assigned as Assistant General Manager of Human Resources in 2010 and worked there until 2018. As of September 2018, Alp works at Yapı Kredi as Assistant General Manager of Human Resources and Organization.

Albert ANGERSBACH

Assistant General Manager - Risk Management

Mr. Albert Angersbach, graduated from University of Applied Sciences Frankfurt am Main in 2006. He holds a diploma in International Finance and Law. He began his professional career in 2006 as a Corporate and Industry Analyst at UniCredit Bank Austria. In 2007, he joined Deutsche Bank as a Corporate Credit Risk Manager, Assistant Vice President. From 2010 until 2011, Mr. Angersbach worked as Head of Credit Underwriting Vice President, and until 2013 as Chief Risk Officer at UniCredit ATF Bank. In 2013, he assumed responsibility as the Head of Corporate Credit at UniCredit Ukraine. From 2016 until 2018 he worked as the Chief Risk Officer in Zagrebacka banka, UniCredit. Mr. Angersbach has been working as CRO and as a member of the Executive Committee at Yapı Kredi since August 2018. Mr. Angersbach is also a member of the Board of Directors of certain domestic and foreign subsidiaries of Yapı Kredi.

Giovanni AVANZİ

Assistant General Manager - Internal Audit

After graduating from Cattolica Sacro Cuore University, Management and Business Administration Giovanni Avanzi began his career at Arthur Andersen in 1995, where he acted as an external auditor and then as a consultant for the main Italian banks. In 2003, he joined the Internal Audit Department of UniCredit, responsible for auditing the UniCredit SpA and its subsidiaries with focus on the Market, Liquidity and Conduct risks. In 2006 Avanzi started up the Audit monitoring and reporting function, till 2009 when he became Head of Group Audit Methodologies responsible for re-engineering the audit processes and tools. In January 2014, he was appointed as Executive Director and Head of the Internal Audit at Bank Pekao in Poland. In 2017, he took on the responsibility of Assistant General Manager for Internal Audit at Yapı Kredi. Avanzi owns the CIA, CRMA and QA certificates.

Yakup DOĞAN

Assistant General Manager - Alternative Delivery Channels

After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Manager. With the merger of Yapı Kredi and Koçbank in 2006, Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.

Cahit ERDOĞAN

Assistant General Manager - Information Technologies and Operations Management

After graduating from İstanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan earned his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan joined Accenture Turkey office as a Management Consultant and was later promoted to Manager and Senior Manager. In February 2008, he was appointed as Turkey Country Lead for the Management Consulting practice of Accenture. Erdoğan joined Yapı Kredi in 2009 as Chief Information Officer (CIO). As of July 2013 he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank. Mr. Erdoğan is a member of the Executive Committee of Yapı Kredi since July 2013 and also the Chairman of the Board of Directors of Yapı Kredi Teknoloji A.Ş. since May 2015.

Nurgün EYÜBOĞLU

Assistant General Manager - Corporate and Commercial Credits

After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. Eyüboğlu is also a member of the Board of Directors of Yapı Kredi Faktoring and Yapı Kredi Leasing.

Massimo FRANCESE

Assistant General Manager - Financial Planning and Administration (CFO)

Mr. Francese (54), graduated in Economics at "Università Cattolica del Sacro Cuore" in Milan (Italy). He joined "Credito Italiano" bank in 1991 as Customer Relationship Manager, then he experienced different positions in Organisation, Planning and Control functions. In 2005, he became Head of Group Planning at UniCredit. He continued his career at UniCredit Family Financing Bank S.p.A between 2007 and 2010 as Chief Financial Officer. In November 2010, he moved to UniCredit S.p.a. as Head of Value Management & Planning for Consumer Finance business until 2012. In 2012, Mr. Francese assumed the position of CEO and Chairman of the Management Board in UniCredit Consumer Financing EAD in Sofia (Bulgaria) where he worked until the February 2016.He has been appointed as Chief Financial Officer and Member of the Executive Committee at Yapı Kredi Bank A.Ş. as of March 1st, 2016.

Arif İSFENDİYAROĞLU

Assistant General Manager – Retail Banking Sales

After graduating from İstanbul Technical University's Textile Engineering Department in 1990, Arif İsfendiyaroğlu received his MBA from İstanbul Bilgi University and Manchester Business School in 2000. He started his professional career in the Securities and Treasury Department of Garanti Bank in 1990, where he served as Senior Vice President of Retail Banking, Business Banking and CRM from 1996 until 2004. In tandem with his post as the Executive Vice President of Business Banking and Retail Banking between 2004 and 2009, he held a member's seat on the boards of directors of Deniz Portfolio Management, Denizbank Moscow and Deniz Life. He worked as the Executive Vice President of Garanti Payment Systems from 2009 until 2015. In 2015, he joined Akbank, where he was the Executive Vice President of Retail Banking, Payment Systems and Corporate Communications, and also a member of the Board of Directors of Ak Investment. Mr. İsfendiyaroğlu has been appointed as Assistant General Manager responsible for Retail Banking Sales Management at Yapı Kredi effective December 2018.

Demir KARAASLAN

Assistant General Manager - Retail Credits

Mr Karaaslan graduated from Marmara University, Business Administration department in 1999. Between September 1999 and December 2004, he worked at PricewaterhouseCoopers (PwC) where he joined as an Assistant Auditor and promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. In 2006, following the merger of Koçbank and Yapı Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and promoted as Executive Vice President in 2011. Starting from January 2016, he was appointed as Assistant General Manager in charge of Retail Credits. Throughout his career, Mr Karaaslan also assumed the positions of Statutory Auditor and member of Board in several subsidiaries of Yapı Kredi Bank. Karaaslan is also a board member of Credit Bureau and a member of The Banks Association of Turkey Risk Center.

Mehmet Erkan ÖZDEMİR

Assistant General Manager - Compliance and Internal Control

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2002 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. He started serving as Statutory Auditor at Koçbank in August 2002 and later at Yapı Kredi in September 2005. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013.

Cemal Aybars SANAL

Assistant General Manager – Legal Affairs

After graduating from İstanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.

Serkan ÜLGEN

Assistant General Manager - Retail Banking

Serkan Ülgen received his B.S. degree in Industrial Engineering from Bilkent University, Ankara in 1998. Following his graduation, he started his professional career at BENKAR Consumer Financing and Credit Card Services within Boyner Group. In 2001, he joined Yapı Kredi Bank of Turkey and since then, held different positions in Retail Banking and Card Payment Systems at Yapı Kredi. He got his MBA degree from Boğaziçi University, İstanbul in 2005. Ülgen has been working as the Assistant General Manager in charge of Retail Banking and a member of the Executive Committee of Yapı Kredi Bank of Turkey since January 2018. He is also a Board Member of Yapı Kredi Bank Azerbaijan. Since 2010, he has been a Board Member of Interbank Card Center (BKM) and became the Chairman of the Board of BKM in 2016. Ülgen also serves as the Chairman of Turkish Client Council of VISA and a Board Member of Tanı Marketing and Communications Services, a data company within Koç Group.

Saruhan YÜCEL

Assistant General Manager – Treasury and Financial Institutions

Saruhan Yücel earned his undergraduate degree from İstanbul University Department of Business Administration and his graduate degree from University of Illinois in Business Administration. Yücel started his career at Koçbank in fund Management Department in 2000. Following his role as Securities Portfolio Manager, between 2002 and 2003, in Yapı Kredi Portfolio in Investment Funds Management Fixed Income department, between 2003 and 2018, he worked as FX and Money Markets Senior Dealer, FX Markets Vice President, Fixed Income Securities Vice President and Balance Sheet Management and Fixed Income Securities Executive Vice President in Yapı Kredi Bank. Following June 2018, he continued his career as Treasury Management Assistant General Manager. He is also Member of the Executive Committee at Yapı Kredi Bank.

Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda, as authorized by the Articles of Association of the Bank, laws and regulations. In 2019, the Board of Directors convened 11 times with the required majority and quorum satisfied.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular bi-weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the members. In 2019, the Executive Committee convened 39 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organizational changes
- Optimizing market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Marco Iannaccone[1]	Executive Director and Chief Operating Officer (COO)
Member	Albert Angersbach	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Erhan Adalı	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Arif Ö. İsfendiyaroğlu	Assistant General Manager - Retail Banking Sales
Member	Hakan Alp	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Saruhan Yücel	Assistant General Manager - Treasury

[1] *Based on Board Resolution dated 26 May 2019, Marco Iannaccone (Executive Director and Chief Operating Officer – COO) was appointed as Vice Chairman of the Executive Committee (replacing Niccolo Ubertalli who resigned from his position as of 1 June 2019)*

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. The Credit Committee normally convenes once a week. In 2019, the Credit Committee convened 41 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorized delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Marco Iannaccone[2]	Executive Director and Chief Operating Officer (COO)
Member	Ahmet Çimenoğlu	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors
Credit Committee Alternate Members		
Alternate Member	Niccolo Ubertalli[3]	Vice Chairman of the Board of Directors
Alternate Member	A. Ümit Taftalı	Member of the Board of Directors

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2019, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members		
Chairman	Wolfgang Schilk	Member of the Board of Directors
Member	Giovanna Villa	Independent Member of the Board of Directors
Member	Ahmet Çimenoğlu	Member of the Board of Directors

[2] *Based on Board Resolution dated 26 May 2019, Marco Iannaccone (Executive Director and Chief Operating Officer – COO) was appointed as Vice Chairman of the Credit Committee (replacing Niccolo Ubertalli who resigned from his position as of 1 June 2019)*

[3] *Based on Board Resolution dated 26 May 2019, Niccolo Ubertalli was appointed as Alternate Member of the Credit Committee (replacing Carlo Vivaldi as of 1 June 2019)*

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. Conducting studies in the scope of evaluating and determining of the independent candidates suitable for Board of Directors, presenting the nominated candidates to the Board of Directors for approval. In 2019, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Virma Sökmen	Independent Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2019, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Niccolo Ubertalli[4]	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

[4] *Based on Board Resolution dated 26 May 2019, Niccolo Ubertalli was appointed as Member of the Remuneration Committee (replacing Carlo Vivaldi as of 1 June 2019)*

Changes in Board of Directors, Committees and Top Management:

As of 5 February 2020;

1) Directors Carlo Vivaldi, Mirko D. G. Bianchi, Gianfranco Bisagni, Giovanna Villa (Independent) and Marco Iannaccone(Executive Director) resigned from their duties in the Board of Directors
2) Marco Iannaccone, Chief Operating Officer (COO), Massimo Francese, Assistant General Manager responsible for Financial Planning and Administration (CFO), Giovanni Battista Avanzi, Assistant General Manager responsible for Internal Audit and Albert Angersbach, Assistant General Manager responsible for Risk Management (CRO) of our Bank, resigned from all their duties within the Bank as of 5 February 2020;

Based on the resolution taken on 5 February 2020 by the Board of Directors of our Bank;

1) Nevin İmamoğlu İpek was appointed as a Director of our Bank
2) Levent Çakıroğlu, Director, was elected as Vice Chairman of the Board of Directors, to replace Niccolò Ubertalli

As of 20 February 2020,
Board was resolved to appoint the persons listed below to the Committees established by Board of Directors due to changes in Yapı ve Kredi Bankası A.Ş Board of Directors. In addition, as per Item 6(3)a of the Communique Serial II-17.1 of CMB on Corporate Governance, Nevin İmamoğlu İpek assigned as Member of the Audit Committee shall be deemed as an Independent Board Member.

Audit Committee:		***Corporate Governance Committee:***	
Ahmet Çimenoğlu	Chairman	Virma Sökmen	Chairman
Nevin İmamoğlu İpek	Member	Nevin İmamoğlu İpek	Member
		M. Erkan Özdemir	Member

Credit Committee:		***Remuneration Committee:***	
Gökhan Erün	Chairman	Y. Ali Koç	Member
Ahmet Çimenoğlu	Member	Levent Çakıroğlu	Member
Virma Sökmen	Member		
A. Ümit Taftalı	Alternate Member		
Levent Çakıroğlu	Alternate Member		

Dear Shareholders,

For Yapı Kredi, one of the longest standing and strongest institutions in the banking sector, 2019 was a year in which it maintained its solid balance sheet structure and supported sustainable revenue creation when Turkey went through a normalization and stabilization process. Sustaining its position as Turkey's third largest private bank by increasing its asset size by 10% to TL 411 billion Yapı Kredi maintained its customer-centered, pioneering and innovation-oriented banking perspective in 2019.

Yapı Kredi increased its total revenues by 6% with a strong income generation performance in 2019, the increase in total costs adjusted for pension fund provisions was at 15% below the average annual inflation, thanks to controlled cost management. Subsequently, the Bank's gross operating profit was TL 12.3 billion and its net profit for 2019 was TL 3,741 million (reported: TL 3,600 million) when adjusted for a one-off provision of TL 140 million in the last quarter of the year.

Continuing to implement the capital strengthening plan disclosed in 2018, the Bank carried out an additional Tier-1 issuance of USD 650 million in January 2019 following the cash capital increase made in June 2018. Having marked the first-ever capital that was raised by a Turkish deposit bank through the issuance of bonds with market participation, this transaction once again confirmed the confidence of the principal shareholders and international investors in Yapı Kredi and in our country. With the support of continuous internal revenue generation, the consolidated capital adequacy ratio increased by 192 basis points compared to the year end of previous year, and reached 16.7%.

Within the frame of its strategy to diversify the funding base, an area of great importance for the Bank, Yapı Kredi authored successful external borrowings during the reporting period. The Bank issued a 5-year Eurobond of USD 500 million to international investors in March. The Bank also borrowed from international markets under mortgage- backed securities and diversified payment rights securitization programs with 5 to 8 years maturities. As a result of the confidence held in Turkey, the sector and Yapı Kredi, the Bank secured syndication loans in the amount of approximately USD 2 billion.

Sustainability remained as an important agenda item for Yapı Kredi also in 2019. On the back of its successful performance in environmental, social and governance areas, the Bank was once again a constituent of the BIST Sustainability Index, and FTSE4Good Emerging Index maintained by the Financial Times Stock Exchange Group in 2019. Yapı Kredi succeeded in being one of 56 companies qualified to be included in the BIST Sustainability Index in November 2019-October 2020 period.

Having continued to broaden its sustainable and innovative product portfolio in 2019, Yapı Kredi carried out its first green bond issuance in the amount of USD 50 million with a 5-year maturity in January 2020, which will be used for financing renewable energy projects. In addition, as a tangible indicator of the importance it attaches to preservation of wildlife, the Bank has pledged to end the consumption of single-use plastics in all its business lines by the end of 2020 as part of the fight against plastic use.

Yapı Kredi's corporate governance rating improved to 9.62 in 2019 from 9.58 in 2018 (on a scale of 10) based on the principles set by the Capital Markets Board of Turkey, thanks to the great emphasis placed by the Bank on corporate governance.

Dear Shareholders,

As we submit our 2019 report and financial statements for your review and approval, on behalf of the Board of Directors and myself, I would like to thank you, our esteemed shareholders, for your faith in Yapı Kredi.

On behalf of the Board of Directors,

Chairman
Ali Y. Koç

SUPPORT SERVICES

- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provides printing services for around 75 million credit cards and customer account statements per year.
- Physical security services were being provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. (EKOL) with a total of 935 security guards.
- A total of 820 armed security guards are assigned to the branches, while 115 others serve at the Head Office and Regional buildings, and 15 unarmed security personnel serve at Bayramoğlu, Yeniköy Koru and Darıca buildings.
- Monitoring of the Theft Alarm system, control/maintenance services for all technical and electronic security systems including card entry system, CCTV and theft alarm system are provided by Tepe Güvenlik A.Ş. Fire detection and extinguishing systems are controlled and maintained by Protek Mühendislik Ltd. Şti. Card entry systems and card monitoring and controlling are provided by Cesa Elektronik Güvenlik Sistemleri San. Tic. Ltd. Şti.
- Support services for cash transportation, on-site and off-site ATM first-line maintenance services are provided by Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri (Bantaş), Loomis Güvenlik Hizmetleri (Loomis), and Desmer Güvenlik Hizmetleri Ticaret (Desmer).
- These firms provide Yapı Kredi Bank with the following:
    - Bantaş - 33 Cash Centers, 1,160 personnel and 310 armored vehicles
    - Loomis - 14 Cash Centers, 338 personnel and 162 armored vehicles
    - Desmer - 2 Cash Centers, 15 personnel and 5 armored vehicles
- Diebold Nixdorf Teknoloji A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for on-site and off-site ATMs.

HUMAN RESOURCES APPLICATIONS

Presented on page 58, 59 and 60 of this report.

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communique on Corporate Governance numbered II-17.1 which is currently in effect have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the regulations of the CMB on the Corporate Governance Principles and with the communiques issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2019. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communique on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communique. The communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2018, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, following main principles which have not been compiled and not mandatory in accordance to communique have been specified below detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.

In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 14% in 2019.

In relation to principle numbered 4.4.5, although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.

In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

In relation to principle numbered 4.6.1, no specific study has been carried out for performance assessment at the board level.

In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.62 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 27, 2019. The ratings in terms of main sections were set as 9.58 for Shareholders, 9.62 for Public Disclosure and Transparency, 9.95 for Stakeholders and 9.50 for the Board of Directors.

The 2019 Corporate Governance Compliance Report and Corporate Governance Information Form are included in the annex of the annual report (page 104-119) prepared in accordance with CMB's decision dated 10.01.2019 and numbered 2/49 and approved by the Board of Directors of our Bank and the relevant documents can also be accessed from our Bank's corporate management page on the Public Disclosure Platform.

https://www.kap.org.tr/tr/cgif/4028e4a240f2ef4c01412ae6d6630538)

Affiliated Company Report:

According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section five Note 7 of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 20 February 2020, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2019, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing.

The information on amendments in the legislation which may significantly affect the activities of the corporation

The Bank continues its activities within the framework of the Banking Law and the Banking Regulation and Supervision Agency regulations, and there were some changes in these regulations, but there were no legislative changes that significantly affected the activities.

The information on significant lawsuits filed against the corporation and the possible results thereof:

There is no significant lawsuits filed against the Bank.

The information on conflicts of interest with organizations with whom the Company obtains investment consultancy and rating services and measures taken by the Company to prevent such conflicts of interest:

There were no incidents that may cause any conflicts of interest with organizations with whom the Bank obtains investment consultancy and rating services.

Information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5% if any:

There is no cross-ownership.

Information about changes to the articles of association during the reporting period:

There were no changes in articles of association in 2019.

Extraordinary General Assembly Meeting held during the year, if any:

An Extraordinary General Assembly meeting was not held during the year.

INDEPENDENCE DECLARATION

January 16, 2019

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

a) There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;

b) I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;

c) I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;

ç) I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;

d) I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;

e) I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;

f) I have not served as a board member at the Company's board of directors for more than six years in the last ten years;

g) I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;

ğ) I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Giovanna Villa

February 13, 2019

I hereby declare that I am candidate to serve as an “independent member” at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

a) There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;

b) I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;

c) I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;

ç) I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;

d) I am considered to be a resident of Turkey in accordance with the Income Tax Code (ITC) dated 31/12/1960 and number 193;

e) I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company’s activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;

f) I can spare time for the Company’s affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;

g) I have not served as a board member at the Company’s board of directors for more than six years in the last ten years;

ğ) I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;

h) I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Virma Sökmen

YapıKredi

STATEMENT OF RESPONSIBILITY SUBMITTED AS PER ARTICLE 9 OF COMMUNIQUE NO. II-14.1. ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS BY CAPITAL MARKETS BOARD

The activity report with for 2019 issued by the our Bank in accordance with the Turkish Commercial Code and "Communique No. II-14.1 on Principles regarding Financial Reporting in Capital Markets" of the Capital Markets Board ("Communique") and made subject to the independent audit by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., has been herein attached.

We hereby declare that, as per the CMB regulations, the activity report including Corporate Governance Compliance Report and Corporate Governance Information Form by our Bank has been:

- reviewed by us,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, does not contain any misleading statements with regards to important matters or does not contain any missing information that would be intetpreted as misleading as of the date of statement,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, it fairly reflects the development and performance of the business and along with those within the scope of consolidation, the financial status as well as the significant risks and uncertainties faced with

and we assume liability fort his statement. (February 20, 2020)

Yours sincereley,

Gökhan ERÜN
Executive Director and CEO

Ahmet ÇİMENOĞLU
Audit Committee Member

Bahar Seda İKİZLER
Financial Reporting and Accounting Executive Vice President

Koç

Ticaret Unvanı: Yapı ve Kredi Bankası A.Ş. Web Adresi: yapikredi.com.tr Büyük Mükellefler VD, 9370020892
Ticaret Sicil Numarası: 32736 Mersis No: 0937002089200741 İşletmenin Merkezi: Yapı Kredi Plaza D Blok 34330 Levent İstanbul
Telefon: (0212) 339 70 00 Faks: (0212) 339 60 00

DIVIDEND DISTRIBUTION POLICY

The Dividend Distribution Policy of the Bank has been approved at the Annual Shareholders' Meeting held on 20 March 2018 as follow: "Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is expected to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend distribution. Reference to the articles of association of the Bank, the General Assembly may resolve to pay advances on profit share to shareholders as per the regulations of the Banking Regulation and Supervision Agency and the Capital Market Board and related laws and regulations. In case of interest and dividend payments are canceled for the debt securities which included in the calculation of equity issued in accordance with the Banking Regulation and Supervision Agency on the Equity of Banks, dividend payments may not be made to the shareholders in relation to the relevant year. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors to be submitted for the approval of General Assembly whenever necessary, taking into consideration the domestic and international economic conditions and the projects and financial condition on the agenda."

NOTE ON 2019 NET PROFIT

In accordance with the Banking Law, Capital Markets Law and related regulations, Article 20 of the Bank's Articles of Association and Profit Distribution Policy; considering the Bank's growth target within the sector, it's long term strategy, domestic and international economic developments, the attached 2019 Profit Distribution Proposal that of the net profit for the accounting period TL 180,002,988.58 be reserved as general legal reserve and TL 2,551,492.96 from the real estate sales earnings within the framework of Article 5 clause 1/e of Corporate Tax Law No:5520, remaining TL 3,417,505,290.05 be set aside as extraordinary reserves as given on page ....., was submitted at the Annual Shareholder's Meeting for approval.

Yapı ve Kredi Bankası A.Ş. 2019 Profit Distribution Table (TL)		
1. Paid-in Capital		8,447,051,284.00
2. Legal Reserves (per Legal Book)		1,102,781,550.05
Information on whether Articles of Association has any privilege regarding profit distribution		None
		Per legal book
3	***Gross Profit***	4,338,935,813.59
4	***Reserve for Taxes (-)***	738,876,042.00
5	***Net Profit (=)***	3,600,059,771.59
6	***Prior Years' Losses (-)***	0
7	***Legal Reserves (-)***	180,002,988.58
8	***NET DISTRIBUTABLE PROFIT (=)***	3,420,056,783.01
9	Donations made during the year (+)	
10	***Net distributable profit including donations***	
11	1st dividend to shareholders	0
	-Cash	0
	-Bonus shares	0
	-Total	0
12	Dividend to shareholders which possess preferred shares	0
13	Dividend to Members of Board of Directors and employees etc.	0
14	Dividend to shareholders which possess redeemed shares	0
15	2nd dividend to shareholders	0
16	Legal Reserves	0
17	Statutory Reserves	0
18	Special Reserves (the portion of 50% of the return on real estate sales based on Article 5-1(e) of the Corporate Tax Law no. 5520)	2,551,492.96
19	***EXTRAORDINARY RESERVES***	3,417,505,290.05
20	***Other sources which are accepted as distributable***	0

Note: The portion of TL 884,740,911.00 of the net profit of TL 3,600,059,711.59 is arises from deferred tax income, and this amount is classified in "1.5- funds required to be left in the bank" in the profit distribution table of the Bank's publicly disclosed financial statements in accordance with the relevant regulation of the BRSA.

DIVIDEND RATIO TABLE

GROUP		***TOTAL DIVIDEND AMOUNT***		***TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT***	***DIVIDEND TO 1 TL NOMINAL VALUE SHARE***	
		CASH (TL)	***BONUS (TL)***	***RATIO (%)***	***AMOUNT (TL)***	***RATIO (%)***
GROSS	-	-	-	-	-	-
NET	-	-	-	-	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Yapı ve Kredi Bankası A.Ş.

1. Opinion

We have audited the annual report of Yapı ve Kredi Bankası A.Ş. (the "Bank") and its subsidiaries for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 4 February 2020 on the full set consolidated and unconsolidated financial statements for the 1 January - 31 December 2019 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr   Mersis Numaramız: 0-1460-0224-0500015

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of article 397 of the TCC, Communique and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSA. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM

Istanbul, 20 February 2020

Once Upon A Time In The Taurus - Sagalassos

The exhibition brought together the history of Sagalassos, ancient city at the southern hillside of Taurus mountains and Pisidia Region with the visitors. 368 pieces from Burdur Archaelogical Museum were displayed at the exhibition which was the most comprehensive arhaeological project of Turkey in recent years. As one of the best-preserved antique cities in the Mediterranean, Sagalassos is included in UNESCO World Heritage Tentative List.

"Once Upon a time at Taurus Mountains: Sagalassos" exhibition displayed numerous historical findings including mammoth bones from Burdur region which were proven to have lived in Anatolia at pre-historic ages and monumental sized statues of Roman empires Marcus Aurelius and Hadrian.

Internal Audit

The Internal Audit Department is responsible for executing Yapı Kredi's internal audit activities with a team of 150 employees, 138 of whom are assigned to internal auditing of the Bank and 12 to subsidiaries. The Department directly reports to the Board of Directors via the Audit Committee.

Yapı Kredi's approach to internal audit covers regular branch audits, process audits, investigations and follow-up audits. The risks identified during audits are submitted to the Top Management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk perspective.

In 2019, the Internal Audit Team carried out all audits in line with the annual audit plan. In total, 91 process audits were performed, out of which 56 were Head Office process audits, 8 were Central Subsidiary process audits, 19 were Head Office Management Assertions, and 8 were Support Service process audits. Additionally, 54 domestic and international subsidiary audits (43 process audits + 11 branch audits) were carried out. Moreover, 354 branch audits were conducted, out of which 15 were follow-up audits, 52 were spot branch audits, and 287 were regular branch audits. 55 Bank and 6 subsidiary investigations/inquiries were carried out.

The Annual Audit Certification Program, launched in 2010 in order to build up the professional knowledge of auditors and run in collaboration with Boğaziçi University and the Turkish Institute of Internal Auditors (TIDE), continued also in 2019.

In Yapı Kredi, regular branch and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with Top Management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2019, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, the Internal Audit Department audited support services companies within the scope of Management Assertion, in addition to banking processes and general IT controls. The results are presented to the Board of Directors.

Internal Control

At Yapı Kredi, internal control activities are carried out under the governance of the Audit Committee by a team of 103 employees in total, including the subsidiaries. 82 of these employees are employed at the Bank.

Regular control activities are performed at Yapı Kredi branches and at the Head Office in accordance with the BRSA and international control standards and practices, and internal risk assessments. Findings from these activities are reported to related units in a timely manner to ensure that necessary improvements are made and the process is followed until completion.

Periodic reports related to internal control activities and their results are presented to the Audit Committee and senior management.

Comprehensive career training programs and certification programs are undertaken continuously at the Bank in collaboration with various universities and the Turkish Institute of Internal Auditors (TIDE).

In 2019, on-site audits including follow-up controls were performed at 388 branches. Additionally, remote controls were performed at both the Head Office and branches. Internal control activities were carried out also at eight subsidiaries in 2019.

Risk Management

Yapı Kredi's risk management activities are carried out in line with international legislation by 107 employees under the Audit Committee's governance in order to measure, monitor, report and mitigate the risks to which the Bank may be exposed on stand-alone and consolidated bases. Risk Management is carried out under three sub-departments: credit risk, strategic risk control and market risk.

In 2019, the Credit Policies, which reflects the Bank's strategy with regard to asset quality, effective risk management and regulatory compliance strategy, was updated. Additionally:

- Regular updates/improvements continued for the rating/scoring systems. Validation activities were performed parallel to modeling activities.
- IFRS9 – Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) models have been completed and put into practice in 2018.
- Data quality monitoring environment for model inputs and outputs was established.
- Underwriting and monitoring strategy is updated regularly.

Operational and Reputational Risk

Yapı Kredi's main objective in relation to operational risk is to identify, measure and mitigate operational and reputational risks at the Bank and subsidiary level. The Bank's policies are reviewed on a yearly basis, updated as and when necessary, and submitted to the Board of Directors for approval.

Compliance with Basel-II advanced measurement approach is carried out under operational and reputational risk. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new products is carried out and a risk map of information technologies is prepared. Operational risk, reputational risk and business continuity activities are presented to the Board of Directors on a quarterly basis via the Audit Committee.

Yapı Kredi's entails full involvement of all its employees on the basis of its risk management policy. According to this directive, any limit overrun or any breach of policy is reported to management and the Executive Committee in a timely manner.

Credit Risk

The Credit Policy, which reflects the general framework of the Bank's lending operations, is updated annually and enters into force following approval by the Board of Directors. The Credit Policy in effect is based on improving asset quality, supporting effective risk management and achieving compliance with regulations. In addition, it includes common standards, limitations and principles applicable to all credit management practices throughout the Bank.

The main purpose of the credit risk management is to measure and mitigate credit risk, respond in a timely manner and take necessary actions, employing efficient and well-functioning rating/scoring models, strategies and processes. The main strategies pursued include:

- Effective implementation of the Credit Policy Directive to maintain the common risk management approach across the organization
- Channeling the loan portfolio toward less risky sectors
- Avoiding excessive concentration in Group exposures while strictly conforming to statutory limits
- Focusing on customers with better credit ratings
- Avoiding transactions bearing high credit and reputational risk
- Managing country risk by prudent application of established strategies, policies and practices
- Adopting necessary preventive actions against new defaults in consumer and SME loans

Timely updates to senior management about all developments in the credit risk area to ensure effective credit risk management

- Redesigning limit management strategies in retail loans
- Ensuring continuity in collections
- Managing credit process harmonization among legal entities
- Performing credit stress tests
- Compliance in credit risk regulatory processes

Additionally, the Credit Risk Mitigation guideline was approved by the Board of Directors as part of secured lending, roles and responsibilities in collateral management lifecycle were clearly defined, and rules were set out for the soundness, legal enforceability and realization of appraisable collateral in compliance with Basel II IRB requirements.

The General Lending Policies Guideline was drawn up and approved by the Board of Directors. This guideline represents an extension to the Credit Policy with additional guidance and explanations in regard to the lending rules and principles for Corporate, Commercial, IMB, FI, ME, SME, Business Banking and Individual customers and products in the light of Basel II IRB requirements.

Operational and Reputational Risk

The operational risk management policy, which was most recently updated and published in 2019, covers group-wide principles and standards regarding responsibilities of the operational risk management unit and managerial structure, strategy, policy and investments for the control and management of operational risk and information technologies risks, and the frequency, content and recipients of operational risk and IT risk reports. The Business Continuity Management Policy is intended to minimize risks that might endanger the continuity of the Bank's activities and ensure recovery of critical services/products in the desired time span in case of disruption. This Business Continuity Management Policy is regularly updated and approved by the Board of Directors.

Moreover, the Reputational Risk Management Policy that went into effect in 2013 to define the set of principles and procedures to control, measure and mitigate reputational risks was revised in March 2019 in the light of legal and internal standards. The policy focuses on reputational risk control system for establishing and maintaining effective reputational risk management, measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the Bank's reputation as well as identifying sensitive sectors and risky areas in conformity with credit policies and international standards.

Based on the consolidated financial results dated 31 December 2019 prepared according to the Banking Regulation and Supervision Agency (BRSA) regulations, Yapı Kredi recorded a net income of TL 3,741 million adjusted with the one off provision of TL 140 million (reported TL 3,600 million) and a return on average tangible equity of 9.8% (reported 9.4%) in 2019. During the same period, Bank's total assets increased by 10% annually to TL 411.2 billion, preserving Yapı Kredi's ranking as the third among private banks. Throughout the year, Yapı Kredi further increased its contribution to the financing of the Turkish economy. Total cash and non-cash loans increased to TL 318.9 billion.

In 2019, total cash loans increased to TL 229.4 billion. Accordingly, Yapı Kredi's market share in total cash loans among private occurred as 16.2%. In addition, through increasing its volume by 14%, the Bank gained 56 basis points market share in TL loans among private banks in 2019.

At the same time, the Bank sustained its long-standing leadership in credit cards. Deposit increased by 10% to TL 231.1 billion. Carrying on with its increasing trend particularly in individual time deposits and individual TL demand deposits, Yapı Kredi gained market share of 100 basis points and 177 basis points respectively in these two product groups among private banks since the end of 2017. Accordingly, the Bank's market share in customer deposits among private banks was realized at 14.9%.

In terms of liquidity, the Bank's loan-to-deposit ratio including TL bonds improved 7 percentage points to 97%, thanks to higher expansion of deposits versus loans. In 2019, Yapı Kredi continued to diversify its funding source and raised USD 4.2 billion in total through syndications, securitizations, bond issuances and other financial instruments.

In terms of revenue generation, the Bank's core revenues increased by 4% to TL 18,465 million, thanks to sustainable loan-deposit spread, higher net interest income and fee income. As the Bank's fee and commission income increased by 31%, despite the decrease in CPI-linker income, the Bank recorded a NIM of 3.4%.

Costs excluding pension fund provisions increased by 15%, below the average inflation level, thanks to a disciplined approach to cost management.

In 2019, despite Non-Performing Loan (NPL) sales, the Bank's asset quality was negatively affected by economic volatilities. The Bank continued its conservative approach and further strengthened its provisions. In this regard, the NPL ratio increased by 204 basis points to 7.4%, and the cost of risk was recorded at 312 basis points.

In terms of capital, Yapı Kredi's consolidated capital adequacy ratio improved by 192 basis points and reached 16.7% In addition, the Bank finalized an Additional Tier-1 issuance of USD 650 million in January 2019, further solidifying its capital structure.

In 2019, the Bank paid TL 1,458 thousand in total administrative fines enforced on the Bank by regulatory and supervisory authorities.

FIVE YEAR SUMMARY FINANCIALS

	2015	2016	2017	2018	2019
Total Assets	235,268	271,135	320,066	373,376	411,195
Cash + Non-Cash Loans	210,133	244,940	278,725	306,334	318,938
Loans	152,489	176,486	199,874	220,549	229,373
Deposits	130,025	157,088	173,384	210,291	231,072
Shareholder's Equity	23,086	26,121	30,102	39,007	41,192
Net Income / (Loss)	1,909	2,933	3,614	4,668	3,600
Capital Adequacy Ratio (Group)	12.9%	13.2%	13.4%	14.8%	16.7%
Capital Adequacy Ratio (Bank)	13.8%	14.2%	14.5%	16.1%	17.8%
Number of Branches (Group)	1,043	974	897	885	886
Number of Branches (Bank)	1,000	936	866	854	846
Number of Employees (Group)	19,345	19,419	18,839	18,448	17,466
Number of Employees (Bank)	18,262	18,366	17,944	17,577	16,631

CREDIT RATINGS

Fitch	*Rating*	*Outlook*
Long Term Foreign Currency	B+	Negative
Long Term Local Currency	B+	Stable
Short Term Foreign Currency	B	
Short Term Local Currency	B	
Viability Rating	b+	
Support Rating	4	
National Long Term	A+ (tur)	Stable
Senior Unsecured Debt	B+	

Moody's	*Rating*	*Outlook*
Long Term Foreign Currency Deposit	B3	Negative
Long Term Local Currency Deposit	B2	Negative
Short Term Foreign Currency Deposit	Not Prime	
Short Term Local Currency Deposit	Not Prime	
National Scale Rating	A2.tr	
Senior Unsecured Debt	B2	

Note:
As of 20 February 2019.

	Company Compliance Status					*Explanation*
	Yes	***Partial***	***No***	***Exempted***	***Not Applicable***	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No notification was made regarding such a transaction.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				Information on significant donations was provided in the agenda of the General Assembly.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	There is no cross-ownership.

1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.						
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				The website which is also prepared in English other than Turkish is significantly compatible with the Turkish language.

2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					

3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					The Board of Directors' resolutions, which are required to be disclosed to the public within the framework of the regulations in force except for those not disclosed to the public within the scope of banking secrecy, are disclosed at KAP.

4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Damages caused by the defects of board members during their duties are insured but as stated in the Communiqué on Corporate Governance Principles, the insurance amount is not determined in excess of 25% of the Bank's capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			No target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 14% in 2019.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				Although there is no such definition in this direction, the information and documents related to the topics on the agenda sent to members before a reasonable period of time.

4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Although there is a possibility to present an opinion, there has been no notification made by the board members who could not attend the meeting.
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.			X			Although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				No limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors. CV of our board members are included in our annual report.
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.			X			The appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.					X	In accordance with the working principles of the committees, the committees may make use of the opinions of the independent experts/professionals, if needed. During the past year, no such request was brought up by the committees.
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No specific study has been carried out for performance assesment at the board level.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements and Ordinary General Assembly in line with the general practice.

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Conferences: 17 (attended), Roadshow: 14 (attended), Web-casts: 4 (organized) Analyst Days: 5 (organized), Investor Meetings: around 550, Teleconference: around 150
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/740637
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There is no such transaction.
The name of the section on the corporate website that demonstrates the donation policy of the company	The principles related to the donations and grants to be made by the Bank are regulated in the Article 3 of the Bank's Articles of Association. The upper limit for the donations and grants is determined every year at the General Assembly and there is no other policy.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	The declaration regarding the General Assembly meeting where the upper limit for donations and grants is approved: https://www.kap.org.tr/tr/Bildirim/748400
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 16
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was held open to the public, including stakeholders and the media without the right to speak. Some bank employees and some university students attended the General Assembly meeting held in 2019.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None
The percentage of ownership of the largest shareholder*	81.90%

* *Please see page 9 for changes in shareholder structure*

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	None
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Shareholders' Meeting
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Agenda Article 8: According to the Board of Directors attached profit distribution proposal it is resolved with 7,567,253,293.27 TL acceptance votes against 388.63 rejection votes that; In accordance with the Banking Law, Capital Markets Law and related regulations, Article 20 of the Bank's Articles of Association and Profit Distribution Policy; considering the Bank's growth target within the sector, it's long term strategy, domestic and international economic developments, that of the net profit for the accounting period TL 233,371,293.05 be reserved as general legal reserve, remaining TL 4,434,054,567.94 be set aside as extraordinary reserves.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/748400

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
18.03.2019	0	89.58%	0.01%	89.57%	Investor Relations / Corporate Governance / Shareholders' Meeting	Investor Relations / Corporate Governance / Shareholders' Meeting	None	0	https://www.kap.org.tr/tr/Bildirim/748400

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations, About Yapı Kredi, Corporate Governance, Shareholders' Meeting, We Are Here For You.
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Shareholding Structure: Investor Relations/ About Yapı Kredi/ Shareholding Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors, Senior management, Independence Declarations
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Board of Directors and Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Board of Directors and Committees
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Legal Disclosures
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Legal Disclosures
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Legal Disclosures
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Legal Disclosures
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Human Resources, Corporate Social Responsibility

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations/ Corporate Governance
The number of definitive convictions the company was subject to in relation to breach of employee rights	203
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics, Anti-Corruption and Conflict of Interest Manager
The contact detail of the company alert mechanism.	0 212 339 7353 / 0 212 339 7330 / 0 212 339 6039 Etik@yapikredi.com.tr, CikarCatismasi@yapikredi.com.tr, YolsuzluklaMucadele@yapikredi.com.tr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Internal regulations are not publicly available or accessible.
Corporate bodies where employees are actually represented	There is an "Employee Relations Advisory Board" formed of representatives assigned by the Employer and the Union, which work to preserve labor peace and contribute to increasing productivity.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The backup plan in our Bank is made for all our top management, and appointments of General Manager and Assistant General Manager are carried out with the resolution of the Board of Directors.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	The Bank's Human Resources and Organization Management carries out its operations in line with the principle of non-discrimination on the basis of race, gender, nationality, age, religion, political affiliation and physical disability and being respectful of privacy and civil rights. Job descriptions, performance and rewarding criteria are announced to all employees. Also, the document regarding the code of conduct applied in the Bank is available on the corporate website.
Whether the company provides an employee stock ownership programme	(There isn't an employee stock ownership programme)
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Bank's Human Rights Statement on the corporate website guarantees employees in areas such as diversity, freedom of expression. Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.
The number of definitive convictions the company is subject to in relation to health and safety measures	2

3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations/ Corporate Governance
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations/ Corporate Governance, Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	The Bank's "Anti-Bribery and Anti-Corruption Policy" is included in the Investor Relations/Corporate Governance section of our website.
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Yıldırım Ali Koç /Chairman, Niccolo Ubertalli / Vice Chairman, Gökhan Erün / Executive Director and CEO, Marco Iannaccone / Executive Director and Chief Operating Officer - COO
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	14
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems
Name of the Chairman	Yıldırım Ali Koç
Name of the CEO	Gökhan Erün
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	2 (14%)

Composition of Board of Directors*

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting and/Or Finance Or Not
YILDIRIM ALİ KOÇ	Non-executive	Not independent director	31.03.2016		Not Applicable	Not Applicable	Yes
NICCOLO' UBERTALLI	Non-executive	Not independent director	16.02.2015		Not Applicable	Not Applicable	Yes
GÖKHAN ERÜN	Executive	Not independent director	15.01.2018		Not Applicable	Not Applicable	Yes
MARCO IANNACCONE	Executive	Not independent director	01.06.2019		Not Applicable	Not Applicable	Yes
CARLO VIVALDI	Non-executive	Not independent director	15.05.2009		Not Applicable	Not Applicable	Yes
LEVENT ÇAKIROĞLU	Non-executive	Not independent director	25.03.2015		Not Applicable	Not Applicable	Yes
AHMET FADIL ASHABOĞLU	Non-executive	Not independent director	28.09.2005		Not Applicable	Not Applicable	Yes
WOLFGANG MAG.SCHILK	Non-executive	Independent director	13.10.2016	Within the frame of article 6(3)a of the CMB's Corporate Governance Communiqué; As a member of the Audit Committee, he is considered an Independent Board Member.	Not Applicable	Not Applicable	Yes
MIKRO DAVIDE GEORG BIANCHI	Non-executive	Not independent director	30.06.2015		Not Applicable	Not Applicable	Yes
GIANFRANCO BISAGNI	Non-executive	Not independent director	13.10.2016		Not Applicable	Not Applicable	Yes
AYKUT ÜMİT TAFTALI	Non-executive	Not independent director	31.03.2016		Not Applicable	Not Applicable	Yes
AHMET ÇİMENOĞLU	Non-executive	Independent director	18.03.2019	Within the frame of article 6(3)a of the CMB's Corporate Governance Communiqué; As a member of the Audit Committee, he is considered an Independent Board Member.	Not Applicable	Not Applicable	Yes
GIOVANNA VILLA	Non-executive	Independent director	18.04.2016	https://www.kap.org.tr/tr/Bildirim/740637	Considered	No	Yes
VİRMA SÖKMEN	Non-executive	Independent director	18.03.2019	https://www.kap.org.tr/tr/Bildirim/740637	Considered	No	Yes

* *As of December 31, 2019. Members of the Bank's Board of Directors Carlo Vivaldi, Mirko D. G. Bianchi, Gianfranco Bisagni, Giovanna Villa (Independent) and Marco Iannaccone (Executive Director) resigned from their duties as of February 5, 2020. With our Bank's Board of Directors resolution dated February 5, 2020; it is resolved to provisionally elect Nevin İpek as a member.*

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	11
Director average attendance rate at board meetings	86%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Presented 7 days before the board meeting
The name of the section on the corporate website that demonstrates information about the board charter	Although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	No limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	Board of Directors and Committees
Link(s) to the PDP announcement(s) with the board committee charters	Information on the working principles of the Board committees is available on the Bank's website.

Composition of Board Committees-I

Audit Committee		**Wolfgang Mag.Schilk**	**Yes**	**Board member**
Audit Committee		Giovanna Villa	No	Board member
Audit Committee		Ahmet Çimenoğlu	No	Board member
Corporate Governance Committee		Mirko D. G. Bianchi	No	Board member
Corporate Governance Committee		Virma Sökmen	No	Board member
Corporate Governance Committee		M. Erkan Özdemir	No	Not board member
Corporate Governance Committee		Massimo Francese	No	Not board member
Remuneration Committee		Niccolò Ubertalli	No	Board member
Remuneration Committee		Levent Çakıroğlu	No	Board member
Other	Credit Committee	Gökhan Erün	Yes	Board member
Other	Credit Committee	Marco Iannaccone	No	Board member
Other	Credit Committee	Ahmet Çimenoğlu	No	Board member
Other	Credit Committee	Wolfgang Mag.Schilk	No	Board member
Other	Executive Committee	Gökhan Erün	Yes	Board member
Other	Executive Committee	Marco Iannaccone	No	Board member
Other	Executive Committee	Albert Angersbach	No	Not board member
Other	Executive Committee	Massimo Francese	No	Not board member
Other	Executive Committee	Erhan Adalı	No	Not board member
Other	Executive Committee	Serkan Ülgen	No	Not board member
Other	Executive Committee	Arif Ö. İsfendiyaroğlu	No	Not board member
Other	Executive Committee	Hakan Alp	No	Not board member
Other	Executive Committee	A. Cahit Erdoğan	No	Not board member
Other	Executive Committee	Saruhan Yücel	No	Not board member

** As of December 31, 2019. Mirko D. G. Bianchi, Giovanna Villa, Marco Iannaccone, Massimo Francese and Albert Angersbach, who resigned all positions from the Bank as of February 5, 2020, also ended the positions on the committees on February 5, 2020. In addition, Our Bank's Board of Director members Niccolò Ubertalli and Wolfgang Mag. Schilk resigned from their duties on the committees as of February 20, 2020.*

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board of Directors; Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board of Directors; Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is no Nomination Committee. The tasks related to this committee are provided by the Corporate Governance Committee. Annual Report: Board of Directors; Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	The Audit Committee and the Executive Committee also carry out the duties of the early detection of risk committee. Annual Report: Board of Directors; Executive Committee Members
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board of Directors; Remuneration Committee
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Message from the Chairman, Message from the CEO, Report of the Board of Directors
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/ Corporate Governance
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Financial Statements Chapter fifth footnote no:7.2.

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	5	5
Corporate Governance Committee		50%	50%	2	1
Remuneration Committee		100%	0%	2	1
Other	Credit Committee	50%	0%	41	4

YAPI VE KREDİ BANKASI A.Ş.
PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2019 TOGETHER WITH AUDITOR'S AUDIT REPORT

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)
Convenience translation into english of independent auditor's report originally issued in turkish (See Note I of Section Three)

To the General Assembly of Yapı ve Kredi Bankası A.Ş.:

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2019, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans The Bank has total expected credit losses for loans amounting to TL 17.322.615 thousand in respect to total loans amounting to TL 241.111.244 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2019. Explanations and notes related to expected credit losses for loans and receivables are presented Section Three Part 7, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying unconsolidated financial statements as at 31 December 2019. The Bank recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective from 1 January 2018 in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Bank determines staging of credit identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying unconsolidated financial statements and default event disclosed in Section Four Part 2 in the accompanying unconsolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Bank for staging of loans and calculation of the provision amount. For forward looking assumptions by the Bank's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans (Continued) The Bank has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	· We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis. · For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations. · We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. · For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. · We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. · We checked accuracy of resultant expected credit losses calculations. · To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. · We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and related impairment provisions.

Key Audit Matters	*How the key audit matter was addressed in the audit*
Valuation of Pension Fund obligations The Bank has booked provision amounting to TL 1.178.063 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2019. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying unconsolidated financial statements. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank's management uses external actuaries for the purpose of valuations of Pension Fund obligations. During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

4. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

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

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM

Partner
Istanbul, 4 February 2020

YAPI VE KREDİ BANKASI A.Ş.
THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDI BANKASI A.Ş. AS OF DECEMBER 31, 2019

Address	:	Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number	:	(0212) 339 70 00
Fax number	:	(0212) 339 60 00
Web site	:	www.yapikredi.com.tr
E-Mail	:	financialreports@yapikredi.com.tr

The unconsolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- GENERAL INFORMATION ABOUT THE BANK

- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD

- INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

- OTHER EXPLANATIONS

- INDEPENDENT AUDITOR'S REPORT

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited and are presented enclosed.

Y. Ali KOÇ **Chairman of the Board of Directors**	**Gökhan ERÜN** **Executive Director and CEO**	**Massimo FRANCESE** **Chief Financial Officer**
B. Seda İKİZLER **Financial Reporting and Accounting Executive Committee Vice President**	**Wolfgang SCHILK** **Chairman of the Audit Committee**	**Dr. Ahmet ÇİMENOĞLU** **Member of the Audit**

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

Name-Surname / Title	:	Cengiz TİMUROĞLU / Balance Sheet Management and Financial Analysis Manager
Telephone Number	:	0212 339 77 67
Fax Number	:	0212 339 61 05

CONTENTS

Section One

General Information

1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

The Bank's publicly traded shares are traded on the Borsa İstanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2019, 18,10% of the shares of the Bank are publicly traded (December 31, 2018 - 18,10%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. As of June 29, 2018, due to capital increase by TL 4,1 billion, KFS shares increased to 81,90%.

According to the stament of Koç Holding A.Ş. on the Public Disclosure Platform dated November 30,2019, Koç Group and UCG have reached a deal to exchange their shares in the Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, will be transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31,93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Bank shares.

It is expected that the sale transactions will be completed after obtaining necessary permission from legal authorities.

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2019, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Niccolò UBERTALLI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Marco IANNACCONE	Executive Director and COO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Carlo VIVALDI	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Ahmet ÇİMENOĞLU	Member
Giovanna VILLA	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Chief Operating Officer:

Name	Responsibility
Marco IANNACCONE	Executive Director and COO

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Albert ANGERSBACH	Risk Management
Arif Özer İSFENDİYAROĞLU	Retail Banking Sales Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Hakan ALP	Human Resources and Organization Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

4. Information on the individual and corporate shareholders having control shares of the Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	6.918.131.285,23	81,90	6.918.131.285,23	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Bank's activities and service types:

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2019, the Bank has 845 branches operating in Turkey and 1 branch in overseas (December 31, 2018 - 853 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2019, the Bank has 16.631 employees (December 31, 2018 - 17.577 employees).

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

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

			Current Period (31/12/2019)			PriorPeriod (31/12/2018)		
	ASSET	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**43.032.619**	**63.444.432**	**106.477.051**	**47.647.266**	**45.458.060**	**93.105.326**
1.1	**Cash and Cash Equivalents**	**1.1**	**16.458.254**	**58.011.660**	**74.469.914**	**16.857.541**	**40.385.735**	**57.243.276**
1.1.1	Cash and Balances with Central Bank		2.488.489	38.861.487	41.349.976	16.756.292	38.758.602	55.514.894
1.1.2	Banks	1.4	3.296.463	19.242.802	22.539.265	19.297	1.658.987	1.678.284
1.1.3	Money Markets	1.4.3	10.703.351	-	10.703.351	104.913	12.056	116.969
1.1.4	Provisions for Expected Losses (-)		30.049	92.629	122.678	22.961	43.910	66.871
1.2	**Financial assets where fair value change is reflected to income statement**	**1.2**	**224.804**	**342.600**	**567.404**	**20.253**	**221.178**	**241.431**
1.2.1	Government debt securities		20.754	73.116	93.870	17.686	50.656	68.342
1.2.2	Share certificates		199.053	269.484	468.537	-	170.522	170.522
1.2.3	Other financial assets		4.997	-	4.997	2.567	-	2.567
1.3	**Financial assets where fair value change is reflected to other comprehensive income statement**	**1.5,1.6**	**22.721.128**	**3.970.178**	**26.691.306**	**22.798.520**	**3.861.979**	**26.660.499**
1.3.1	Government debt securities		22.710.089	1.923.370	24.633.459	22.790.241	2.028.211	24.818.452
1.3.2	Share certificates		11.039	2.580	13.619	8.279	2.338	10.617
1.3.3	Other financial assets		-	2.044.228	2.044.228	-	1.831.430	1.831.430
1.4	**Derivative Financial Assets**	**1.3**	**3.628.433**	**1.119.994**	**4.748.427**	**7.970.952**	**989.168**	**8.960.120**
1.4.1	Derivative financial assets where fair value change is reflected to income statement		3.373.746	1.077.555	4.451.301	5.101.599	689.435	5.791.034
1.4.2	Derivative financial assets where fair value change is reflected to other comprehensive income statement		254.687	42.439	297.126	2.869.353	299.733	3.169.086
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)**		**155.567.644**	**96.489.507**	**252.057.151**	**135.439.728**	**97.535.290**	**232.975.018**
2.1	**Loans**	**1.7**	**150.539.562**	**89.924.281**	**240.463.843**	**132.642.405**	**92.293.060**	**224.935.465**
2.2	**Receivables From Leasing Transactions (Net)**	**1.12**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**647.401**	**-**	**647.401**	**95.337**	**-**	**95.337**
2.4	**Financial Assets Measured at Amortised Cost**	**1.8**	**17.970.624**	**10.335.035**	**28.305.659**	**12.933.751**	**8.741.415**	**21.675.166**
2.4.1	Government debt securities		17.639.820	10.335.035	27.974.855	12.933.751	8.741.415	21.675.166
2.4.2	Other financial assets		330.804	-	330.804	-	-	-
2.5	**Provisions for Expected Losses (-)**		**13.589.943**	**3.769.809**	**17.359.752**	**10.231.765**	**3.499.185**	**13.730.950**
III.	**ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**1.17**	**320.059**	**-**	**320.059**	**288.349**	**-**	**288.349**
3.1	Held for Sale Purposes		320.059	-	320.059	288.349	-	288.349
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**3.595.273**	**4.231.653**	**7.826.926**	**3.144.898**	**3.645.062**	**6.789.960**
4.1	**Investments in Associates (net)**	**1.9**	**6.101**	**902.257**	**908.358**	**6.101**	**784.140**	**790.241**
4.1.1	Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated		6.101	902.257	908.358	6.101	784.140	790.241
4.2	**Subsidiaries (Net)**	**1.10**	**3.566.857**	**3.329.396**	**6.896.253**	**3.117.632**	**2.860.922**	**5.978.554**
4.2.1	Unconsolidated Financial Subsidiaries		3.559.557	3.329.396	6.888.953	3.110.332	2.860.922	5.971.254
4.2.2	Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3	**Joint Ventures (Net)**	**1.11**	**22.315**	**-**	**22.315**	**21.165**	**-**	**21.165**
4.3.1	Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated		22.315	-	22.315	21.165	-	21.165
V.	**PROPERTY AND EQUIPMENT (Net)**		**4.281.326**	**-**	**4.281.326**	**3.270.211**	**-**	**3.270.211**
VI.	**INTANGIBLE ASSETS [Net]**		**1.845.101**	**-**	**1.845.101**	**1.749.439**	**-**	**1.749.439**
6.1	Goodwill		979.493	-	979.493	979.493	-	979.493
6.2	Other		865.608	-	865.608	769.946	-	769.946
VII.	**INVESTMENT PROPERTY (Net)**	**1.15**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSETS**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSETS**	**1.16**	**1.980.629**	**-**	**1.980.629**	**569.635**	**-**	**569.635**
X.	**OTHER ASSETS**	**1.18**	**2.723.577**	**9.984.007**	**12.707.584**	**2.905.219**	**6.390.434**	**9.295.653**
	TOTAL ASSETS		**213.346.228**	**174.149.599**	**387.495.827**	**195.014.745**	**153.028.846**	**348.043.591**

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

YAPI VE KREDİ BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

1. Balance sheet (Statement of Financial Position)

			Current Period (31/12/2019)			Prior Period (31/12/2018)		
	LIABILITIES	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**2.1**	**103.168.839**	**119.621.279**	**222.790.118**	**92.782.018**	**109.767.118**	**202.549.136**
II.	**BORROWINGS**	**2.3.1**	**475.135**	**37.635.407**	**38.110.542**	**271.691**	**37.077.647**	**37.349.338**
III.	**MONEY MARKETS**		**2.936.526**	**759.218**	**3.695.744**	**330.175**	**1.215.446**	**1.545.621**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.4**	**5.912.191**	**14.791.500**	**20.703.691**	**2.678.882**	**13.706.130**	**16.385.012**
4.1	Bills		4.270.096	-	4.270.096	1.373.498	-	1.373.498
4.2	Asset backed Securities		-	-	-	-	-	-
4.3	Bonds		1.642.095	14.791.500	16.433.595	1.305.384	13.706.130	15.011.514
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS**	**2.3.3**	**830.929**	**12.353.676**	**13.184.605**	**330.910**	**7.634.494**	**7.965.404**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**5.542.718**	**1.533.715**	**7.076.433**	**6.388.957**	**892.348**	**7.281.305**
7.1	Derivative Liabilities at Fair Value Through Profit and Loss		2.963.527	1.221.739	4.185.266	5.846.062	823.837	6.669.899
7.2	Derivative Liabilities at Fair Value Through Other Comprehensive Profit		2.579.191	311.976	2.891.167	542.895	68.511	611.406
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE PAYABLES (Net)**	**2.5**	**890.604**	**8.501**	**899.105**	**-**	**219**	**219**
X.	**PROVISIONS**	**2.6**	**3.357.745**	**262.436**	**3.620.181**	**3.000.839**	**306.818**	**3.307.657**
10.1	Provisions for Restructuring		-	-	-	-	-	-
10.2	Provisions for Employee Rights	2.6.1	753.110	-	753.110	658.112	-	658.112
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions	2.6.3	2.604.635	262.436	2.867.071	2.342.727	306.818	2.649.545
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**838.765**	**-**	**838.765**	**1.091.311**	-	**1.091.311**
XII.	**DEFERRED TAX LIABILITIES**		-	-	-	-	-	-
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**2.8**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Held for Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		**-**	-	**-**	**-**	-	**-**
XIV.	**SUBORDINATED DEBT**	**2.9**	**821.340**	**17.758.699**	**18.580.039**	**-**	**13.557.153**	**13.557.153**
14.1	Loans		-	5.102.941	5.102.941	**-**	5.574.724	5.574.724
14.2	Other Facilities		821.340	12.655.758	13.477.098	-	7.982.429	7.982.429
XV.	**OTHER LIABILITIES**	**2.4**	**15.269.130**	**1.539.820**	**16.808.950**	**14.829.942**	**3.177.994**	**18.007.936**
XVI.	**SHAREHOLDERS' EQUITY**	**2.10**	**38.553.457**	**2.634.197**	**41.187.654**	**36.539.132**	**2.464.367**	**39.003.499**
16.1	Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2	Capital Reserves		1.998.636	-	1.998.636	1.995.493	-	1.995.493
16.2.1	Share premium		556.937	-	556.937	556.937	**-**	556.937
16.2.2	Share Cancellation Profits		**-**	**-**	**-**	**-**	**-**	**-**
16.2.3	Other Capital Reserves		1.441.699	-	1.441.699	1.438.556	-	1.438.556
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		2.343.632	436.694	2.780.326	2.369.395	435.591	2.804.986
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(2.472.669)	2.197.503	(275.166)	(909.935)	2.028.776	1.118.841
16.5	Profit Reserves		24.636.747	-	24.636.747	19.969.702	-	19.969.702
16.5.1	Legal Reserves		1.102.781	-	1.102.781	869.410	-	869.410
16.5.2	Statutory reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		23.533.272	-	23.533.272	19.099.217	-	19.099.217
16.5.4	Other Profit Reserves		694	-	694	1.075	-	1.075
16.6	Profit or loss		3.600.060	-	3.600.060	4.667.426	-	4.667.426
16.6.1	Prior years' profits or losses		-	-	-	-	-	-
16.6.2	Current period net profit or loss		3.600.060	-	3.600.060	4.667.426	-	4.667.426
	TOTAL LIABILITIES		**178.597.379**	**208.898.448**	**387.495.827**	**158.243.857**	**189.799.734**	**348.043.591**

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

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

2. Off-balance sheet commitments

			Current Period (31/12/2019)			Prior Period (31/12/2018)		
		Note (Section Five)	TL	FC	Total	TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**242.425.428**	**389.469.757**	**631.895.185**	**216.249.011**	**356.444.036**	**572.693.047**
I.	**Guarantees and warranties**	**3.1.2.1,2**	**27.023.766**	**63.090.951**	**90.114.717**	**26.421.786**	**59.852.965**	**86.274.751**
1.1	Letters of guarantee	3.1.2.2	26.894.174	42.807.332	69.701.506	26.251.027	41.182.795	67.433.822
1.1.1	Guarantees subject to state tender law		367.229	604.813	972.042	562.791	1.240.942	1.803.733
1.1.2	Guarantees given for foreign trade operations		4.095.773	42.202.519	46.298.292	3.909.134	39.941.853	43.850.987
1.1.3	Other letters of guarantee		22.431.172	-	22.431.172	21.779.102	-	21.779.102
1.2	Bank acceptances		-	156.431	156.431	-	200.915	200.915
1.2.1	Import letter of acceptance		-	156.431	156.431	-	200.915	200.915
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		77.354	12.266.506	12.343.860	152.733	10.564.051	10.716.784
1.3.1	Documentary letters of credit		77.354	12.266.506	12.343.860	152.733	10.564.051	10.716.784
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		52.238	3.781.228	3.833.466	18.026	3.997.024	4.015.050
1.9	Other warranties		-	4.079.454	4.079.454	-	3.908.180	3.908.180
II.	**Commitments**	**3.1.1**	**70.587.105**	**24.339.036**	**94.926.141**	**57.594.918**	**27.384.129**	**84.979.047**
2.1	Irrevocable commitments		65.878.662	7.437.359	73.316.021	56.759.355	9.049.492	65.808.847
2.1.1	Asset purchase and sale commitments		1.494.732	6.254.891	7.749.623	1.969.620	6.371.281	8.340.901
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		12.708.914	960.251	13.669.165	10.167.781	2.192.840	12.360.621
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7	Commitments for checks payments		3.389.714	-	3.389.714	2.990.824	-	2.990.824
2.1.8	Tax and fund liabilities from export commitments		4.074	-	4.074	4.551	-	4.551
2.1.9	Commitments for credit card expenditure limits		41.380.895	-	41.380.895	35.189.895	-	35.189.895
2.1.10	Commitments for credit cards and banking services promotions		30.190	-	30.190	27.510	-	27.510
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.870.143	222.217	7.092.360	6.409.174	485.371	6.894.545
2.2	Revocable commitments		4.708.443	16.901.677	21.610.120	835.563	18.334.637	19.170.200
2.2.1	Revocable loan granting commitments		4.708.443	16.901.677	21.610.120	835.563	18.334.637	19.170.200
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**144.814.557**	**302.039.770**	**446.854.327**	**132.232.307**	**269.206.942**	**401.439.249**
3.1	Derivative financial instruments held for hedging		49.887.738	53.105.895	102.993.633	48.402.801	48.037.678	96.440.479
3.1.1	Fair value hedges		470.141	2.941.839	3.411.980	270.141	3.175.835	3.445.976
3.1.2	Cash flow hedges		49.417.597	50.164.056	99.581.653	48.132.660	44.861.843	92.994.503
3.1.3	Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2	Trading transactions		94.926.819	248.933.875	343.860.694	83.829.506	221.169.264	304.998.770

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

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

2. Off-balance sheet commitments

		Note (Section Five)	Current Period (31/12/2019) TL	FC	Total	Prior Period (31/12/2018) TL	FC	Total
3.2.1	Forward foreign currency purchase and sale transactions		8.036.269	17.700.404	25.736.673	8.116.786	10.730.591	18.847.377
3.2.1.1	Forward foreign currency purchase transactions		3.307.157	9.627.478	12.934.635	3.821.115	5.862.521	9.683.636
3.2.1.2	Forward foreign currency sale transactions		4.729.112	8.072.926	12.802.038	4.295.671	4.868.070	9.163.741
3.2.2	Currency and interest rate swaps		81.329.613	196.767.306	278.096.919	69.858.272	174.331.835	244.190.107
3.2.2.1	Currency swap purchase transactions		10.892.454	70.454.795	81.347.249	15.558.017	63.616.649	79.174.666
3.2.2.2	Currency swap sale transactions		38.687.159	42.840.355	81.527.514	47.018.255	34.011.042	81.029.297
3.2.2.3	Interest rate swap purchase transactions		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.2.4	Interest rate swap sale transactions		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.3	Currency, interest rate and securities options		3.741.319	8.349.687	12.091.006	5.034.420	12.244.720	17.279.140
3.2.3.1	Currency purchase options		2.043.723	2.136.917	4.180.640	1.735.423	5.022.695	6.758.118
3.2.3.2	Currency sale options		1.497.596	2.736.368	4.233.964	2.998.997	3.709.657	6.708.654
3.2.3.3	Interest rate purchase options		100.000	2.584.853	2.684.853	150.000	2.325.046	2.475.046
3.2.3.4	Interest rate sale options		100.000	891.549	991.549	150.000	1.187.322	1.337.322
3.2.3.5	Securities purchase options		-	-	-	-	-	-
3.2.3.6	Securities sale options		-	-	-	-	-	-
3.2.4	Currency futures		199.618	198.789	398.407	-	-	-
3.2.4.1	Currency purchase futures		199.618	-	199.618	-	-	-
3.2.4.2	Currency sale futures		-	198.789	198.789	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2	Interest rate sale futures		-	-	-	-	-	-
3.2.6	Other		1.620.000	25.917.689	27.537.689	820.028	23.862.118	24.682.146
B.	**CUSTODY AND PLEDGED SECURITIES (IV+V+VI)**		**840.404.220**	**760.841.997**	**1.601.246.217**	**675.153.154**	**592.465.160**	**1.267.618.314**
IV.	**ITEMS HELD IN CUSTODY**		**418.440.566**	**660.136.326**	**1.078.576.892**	**357.170.276**	**530.118.288**	**887.288.564**
4.1	Assets under management		-	-	-	-	-	-
4.2	Securities held in custody		394.447.528	659.469.963	1.053.917.491	333.178.706	529.517.839	862.696.545
4.3	Checks received for collection		17.168.474	59.047	17.227.521	18.324.311	55.419	18.379.730
4.4	Commercial notes received for collection		6.766.420	518.018	7.284.438	5.609.115	464.462	6.073.577
4.5	Other assets received for collection		-	71.180	71.180	-	64.289	64.289
4.6	Securities received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	18.118	76.262	58.144	16.279	74.423
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**395.405.815**	**89.063.878**	**484.469.693**	**298.328.314**	**52.469.929**	**350.798.243**
5.1	Marketable securities		831.183	659	831.842	249.891	583	250.474
5.2	Guarantee notes		720.000	278.319	998.319	1.144.853	316.775	1.461.628
5.3	Commodity		6.946	-	6.946	17.430	-	17.430
5.4	Warrant		-	-	-	-	-	-
5.5	Immovables		140.794.432	36.287.424	177.081.856	120.540.545	29.503.112	150.043.657
5.6	Other pledged items		253.053.254	52.486.841	305.540.095	176.375.595	22.640.019	199.015.614
5.7	Depositories receiving pledged items		-	10.635	10.635	-	9.440	9.440
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**26.557.839**	**11.641.793**	**38.199.632**	**19.654.564**	**9.876.943**	**29.531.507**
	TOTAL OFF BALANCE SHEET COMMITMENTS)		**1.082.829.648**	**1.150.311.754**	**2.233.141.402**	**891.402.165**	**948.909.196**	**1.840.311.361**

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

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

3. Statements of Profit or Loss

	Income and expense items	Note (Section Five)	Current Period (01/01/2019 - 31/12/2019)	Prior Period (01/01/2018 - 31/12/2018)
I.	**INTEREST INCOME**	**4.1**	**35.703.082**	**33.210.795**
1.1	Interest on Loans	4.1.1	28.489.781	24.968.309
1.2	Interest received from reserve deposits		375.844	415.131
1.3	Interest Received from Banks	4.1.2	900.441	621.717
1.4	Interest Received from Money Market Transactions		515.907	58.124
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	5.395.946	7.141.461
1.5.1	Financial Assets at Fair Value Through Profit and Loss		12.299	11.186
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		3.108.869	4.518.770
1.5.3	Financial assets measured at amortised cost		2.274.778	2.611.505
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		25.163	6.053
II.	**INTEREST EXPENSE (-)**	**4.2**	**20.927.360**	**19.268.780**
2.1	Interest on Deposits	4.2.4	15.382.785	14.331.082
2.2	Interest on Funds Borrowed	4.2.1	3.362.934	2.297.613
2.3	Interest expense on money market transactions		187.992	1.036.889
2.4	Interest on Securities Issued	4.2.3	1.782.290	1.390.038
2.5	Interest on Lease Payables		162.347	27
2.6	Other Interest Expense		49.012	213.131
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**14.775.722**	**13.942.015**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENCE**		**5.286.993**	**4.016.348**
4.1	Fees and Commissions Received		7.077.075	5.363.545
4.1.1	Non-cash Loans		1.059.638	786.258
4.1.2	Other		6.017.437	4.577.287
4.2	Fees and Commissions Paid		1.790.082	1.347.197
4.2.1	Non-cash Loans		340	253
4.2.2	Other		1.789.742	1.346.944
V	**DIVIDEND INCOME**		**9.310**	**6.326**
VI.	**TRADING PROFIT/LOSS (Net)**	**4.4**	**(1.884.879)**	**(647.623)**
6.1	Trading Gains/Losses on Securities		271.662	125.761
6.2	Derivative Financial Transactions Gains/Losses	4.6	(905.387)	11.487.050
6.3	Foreign Exchange Gains/Losses		(1.251.154)	(12.260.434)
VII.	**OTHER OPERATING INCOME**	**4.7**	**1.428.469**	**1.211.427**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**19.615.615**	**18.528.493**
IX.	**PROVISION FOR EXPECTED LOSSES (-)**	**4.5**	**8.772.277**	**6.983.607**
X.	**OTHER PROVISION EXPENSES (-)**	**4.5**	**40.975**	**138.096**
XI.	**PERSONNEL EXPENSES (-)**	**4.9**	**3.149.323**	**2.836.470**
XII.	**OTHER OPERATING EXPENSES (-)**	**4.8**	**4.095.034**	**3.490.333**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**3.558.006**	**5.079.987**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**	**-**
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**780.930**	**775.504**
XVI.	**NET MONETARY POSITION GAIN/LOSS)**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)**	**4.9**	**4.338.936**	**5.855.491**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.10**	**738.876**	**1.188.065**
18.1	Current Tax Provision		1.623.617	791.064
18.2	Expense effect of deferred tax (+)		-	397.001
18.3	Income effect of deferred tax (-)		(884.741)	-
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**		**3.600.060**	**4.667.426**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)**		**-**	**-**
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**4.11**	**3.600.060**	**4.667.426**
	Earnings/(loss) per share (full TL)		0,0043	0,0073

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

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

4. Statement of Profit or Loss and Other Comprehensive Income

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**PROFIT /(LOSS)**	**3.600.060**	**4.667.426**
II.	**OTHER COMPREHENSIVE INCOME**	**(1.418.667)**	**287.641**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**(24.660)**	**447.670**
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	14.291	545.509
2.1.2	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	(66.003)	(51.323)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	13.925	2.199
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	13.127	(48.715)
2.2	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(1.394.007)**	**(160.029)**
2.2.1	Exchange Differences on Translation	425.259	892.573
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	2.052.651	(1.893.220)
2.2.3	Income (loss) Related with Cash Flow Hedges	(4.110.380)	1.162.325
2.2.4	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(274.663)	(618.595)
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	513.126	296.888
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**2.181.393**	**4.955.067**

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

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

5. Statement of changes in shareholders' equity

Current Period (31/12/2019)

					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
CHANGES IN SHAREHOLDER'S EQUITY	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	1	2	3
I. Balance at the beginning of the period	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-
III. New balance (I+II)	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**
IV. Total comprehensive income (loss)	-	-	-	-	**12.897**	**(51.482)**	**13.925**
V. Capital increase in cash	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	**3.143**	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-
11.1. Dividends distributed	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-	-	-	-
11.3. Other	-	-	-	-	-	-	-
Period end balance(III+IV+……+X+XI)	**8.447.051**	**556.937**	**-**	**1.441.699**	**1.858.419**	**(269.552)**	**1.191.459**

1. Tangible assets revaluation reserve,

2. Accumulated gains / losses on remeasurements of defined benefit plans

3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss

4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss						
4	5	6	Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total shareholders' equity
2.067.517	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2.067.517	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**
425.259	**1.601.068**	**(3.420.334)**	**-**	**-**	**3.600.060**	**2.181.393**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	**(381)**	-	-	**2.762**
-	-	-	**4.667.426**	-	**(4.667.426)**	-
-	-	-	-	-	-	-
-	-	-	4.667.426	-	(4.667.426)	-
-	-	-	-	-	-	-
2.492.776	**(146.942)**	**(2.621.000)**	**24.636.747**	**-**	**3.600.060**	**41.187.654**

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

5. Statement of changes in shareholders' equity

Prior Period (31/12/2018)

CHANGES IN SHAREHOLDER'S EQUITY	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
					1	2	3
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.356.685**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**(181.350)**
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	(181.350)
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.175.335**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**485.503**	**(40.032)**	**2.199**
V. Capital increase in cash	**4.100.000**	**13.056**	**-**	**(29.472)**	**-**	**-**	**-**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**108**	**-**	**-**	**-**
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**
11.1. Dividends distributed	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-
11.3. Other	-	-	-	-	-	-	-
Period end balance(III+IV+……+X+XI)	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**

1. Tangible assets revaluation reserve,

2. Accumulated gains / losses on remeasurements of defined benefit plans

3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss

4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss						
4	5	6	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
1.174.944	**(381.624)**	**375.225**	**16.545.616**	**-**	**3.614.081**	**30.097.927**
-	**110.325**	**-**	**(62.054)**	**-**	**-**	**(133.079)**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	110.325	-	(62.054)	-	-	(133.079)
1.174.944	**(271.299)**	**375.225**	**16.483.562**	**-**	**3.614.081**	**29.964.848**
892.573	**(1.476.711)**	**424.109**	**-**	**-**	**4.667.426**	**4.955.067**
-	**-**	**-**	**-**	**-**	**-**	**4.083.584**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**(108)**	**-**	**-**	**-**
-	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**
-	-	-	-	-	-	-
-	-	-	3.486.248	-	(3.614.081)	-
-	**-**	**-**	**-**	**-**	**-**	**-**
2.067.517	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**

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

6. Statement of cash flows

		(Notes section five)	Current Period (31/12/2019)	Prior Period (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**14.278.156**	**8.208.781**
1.1.1	Interest received		33.704.929	24.373.099
1.1.2	Interest paid		(20.658.897)	(18.604.908)
1.1.3	Dividend received		192.456	66.529
1.1.4	Fees and commissions received		7.077.075	5.363.545
1.1.5	Other income		635.729	1.947.729
1.1.6	Collections from previously written-off loans and other receivables		1.762.544	1.262.402
1.1.7	Cash Payments to personnel and service suppliers		(6.502.519)	(5.715.491)
1.1.8	Taxes paid		(2.195.229)	(541.686)
1.1.9	Other	6.3	262.068	57.562
1.2	**Changes in operating assets and liabilities subject to banking operations**		**4.219.397**	**(3.937.953)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(325.426)	(184.397)
1.2.2	Net (increase) decrease in due from banks		(4.153.527)	(5.034.266)
1.2.3	Net (increase) decrease in loans		(22.697.738)	(23.918.591)
1.2.4	Net (increase) decrease in other assets		(4.558.102)	(5.464.081)
1.2.5	Net increase (decrease) in bank deposits		(4.544.683)	1.446.944
1.2.6	Net increase (decrease) in other deposits		25.302.527	31.169.851
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		5.441.860	3.712.657
1.2.8	Net increase (decrease) in funds borrowed		5.675.742	(5.685.289)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	6.3	4.078.744	19.219
I.	**Net cash provided from banking operations**		**18.497.553**	**4.270.828**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(5.858.140)**	**(2.135.849)**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3	Cash paid for the purchase of tangible and intangible asset		(533.233)	(528.635)
2.4	Cash obtained from the sale of tangible and intangible asset		192.082	74.720
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(13.203.974)	(13.035.896)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		12.346.110	13.749.307
2.7	Cash paid for the purchase of financial assets at amortised cost		(4.807.224)	(3.674.945)
2.8	Cash obtained from sale of financial assets at amortised cost		148.099	1.279.600
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flows from financing activities**		**613.493**	**4.570.264**
3.1	Cash obtained from funds borrowed and securities issued		33.210.986	11.918.467
3.2	Cash outflow from funds borrowed and securities issued		(32.198.476)	(11.099.590)
3.3	Equity instruments issued		-	4.083.584
3.4	Dividends paid		-	-
3.5	Payments for finance lease liabilities		(399.017)	(332.197)
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**4.200.943**	**14.526.803**
V.	**Net increase/decrease in cash and cash equivalents**		**17.453.849**	**21.232.046**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**42.821.747**	**21.589.701**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**60.275.596**	**42.821.747**

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

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

7. Profit Distribution[1]

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**Distribution of current year income**		
1.1	Current year income	4.338.936	5.855.491
1.2	Taxes and duties payable (-)	738.876	1.188.065
1.2.1	Corporate tax (income tax)	1.623.617	791.064
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	(884.741)	397.001
A.	**Net income for the year (1.1-1.2)**	**3.600.060**	**4.667.426**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	233.371
1.5	Other statutory reserves (-)	884.741	-
B.	**Net income available for distribution [(a-(1.3+1.4+1.5)]**	**2.715.319**	**4.434.055**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	Dividends to personnel (-)	-	-
1.8	Dividends to board of directors (-)	-	-
1.9	Second dividend to shareholders (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	Second legal reserves (-)	-	-
1.11	Statutory reserves (-)	-	-
1.12	Extraordinary reserves	-	4.434.055
1.13	Other reserves	-	-
1.14	Special funds	-	-
II.	**Distribution of reserves**	-	-
2.1	Appropriated reserves	-	-
2.2	Second legal reserves (-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	Dividends to personnel (-)	-	-
2.5	Dividends to board of directors (-)	-	-
III.	**Earnings per share**	-	-
3.1	To owners of ordinary shares	**0,0043**	**0,0073**
3.2	To owners of ordinary shares (%)	0,0043	0,0073
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
IV.	**Dividend per share**	-	-
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

[1] Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2019 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

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

Section Three

Accounting policies

1. Explanations on basis of presentation:

The Bank keeps its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles employed for the preparation the financial statements are in compliance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular of BRSA. If there is no specific regulation of BRSA, it has been determined and applied in the context of TFRS.

In accordance with the "Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette dated February 1, 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

Additional paragraph for convenience translation into English:

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

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

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. For non-deposit items, the Bank maintains longer-term funding structure especially through long-term foreign borrowings. Funds from deposits and other funding sources are invested in high quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits approved in the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within the limits determined by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with foreign currency financial liabilities and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Other accumulated comprehensive income that will be reclassified in other profit or loss" in equity.

In order to eliminate the inconsistency in the recognition, the Bank might classify its financial liabilities as financial liabilities at fair value through profit / loss upon the initial recognition.

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

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "TAS - 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank's derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized 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 profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using currency and interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9 - Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets 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 "Derivative financial assets at fair value through profit or loss"; and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". 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.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS - 9 Financial Instruments" in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2019, the Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS - 9 Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS - 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ("UCA"). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Bank has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

According to TFRS 9, classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single-instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences available at the assessment date have taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

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

- Business model whose objective is to hold assets in order to collect contractual cash flows Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Bank's business model may be to hold financial assets in order to collect contractual cash flows, the Bank does not need to hold all of those instruments until the maturity. Thus Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Bank sells financial assets when there is an increase in the assets' credit risk. The Bank considers reasonable and supportable information, including forward looking information,in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Bank's ability to collect contractual cash flows.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Bank's management have made a decision on both collecting contractual cash flows and selling financial assets is necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on a daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Bank will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

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

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making such assessment, the Bank:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- conditions restricting the Bank from asking the cash flows of the assets
- features that change the time value of the money

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1 Financial assets at fair value through profit or loss

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in "foreign exchange gain/loss" accounts.

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering "TFRS 9 - Financial Instruments" and the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". The write off policy is described in the explanations and notes related to assets, fifth section.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss ", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of a financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments measured at fair value through other comprehensive income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

8. Explanations on impairment of financial assets:

The Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

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 will be 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 will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Bank can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Bank's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Bank's associates and subsidiaries

Forward Looking Information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1 year maturity, a process called "convergence to the mean" is applied.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

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

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquire before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS - 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS - 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

12.2. Other intangible assets:

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

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the "TAS - 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS - 16 Property, Plant and Equipment". Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with "TAS - 16 Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS - 36 Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

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

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Bank performs leasing transactions in the capacity of the lessee and lessor.

Accounting of leasing operations according to lessee:

The Bank has adopted "TFRS 16: Leases" as of January 1, 2019. The Bank has applied the simplified transition approach and elected not to restate comparative figures.

In accordance with TFRS 16, the Bank calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

Impact of TFRS 16 on financial statements as of January 1, 2019 is as follow:

Information on lease payables

	January 1, 2019
Operating lease commitments within the scope of TFRS 16 (undiscounted)	**1.368.850**
Total lease payables within the scope of TFRS 16 (discounted using the borrowing rate)	**800.842**
Finance lease payables	**219**
Lease payables	**801.061**
- Current lease liabilities	178.050
- Non-current lease liabilities	623.011

Information on total right-of-use assets:

	January 1, 2019
Branch	754.915
ATM	46.146
Total right-of-use assets	**801.061**

Accounting of the leasing transactions in terms of the lessor:

The major risks and benefits of the property carried by the lessor are classified as operational leasing. The payments that are received as operational leasing are accounted as income via the linear method throughout the leasing term.

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with "TAS - 37 Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the "Matching principle". A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "TAS - 19 Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS - 19 Employee Rights" standard.

16.2. Pension rights

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS - 19 Employee Rights", the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. "In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

17.2. Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS - 12 Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Bank calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

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

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

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

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

Also, the Bank obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "Off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 694 (December 31, 2018 - TL 1.075).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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No dividend payments were announced after the balance sheet date.

23. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	3.600.060	4.667.426
Weighted average number of issued ordinary shares(thousand)	844.705.128	643.084.249
Earnings per share (full TL)	**0,0043**	**0,0073**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2019 (2018 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS - 24 Related Parties". The transactions with related parties are disclosed in detail in Note 5 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS - 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 10 of Section Four.

26. Explanations on other matters:

None.

Section Four

Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity". The capital adequacy ratio of the Bank is 17,81% (December 31, 2018 - 16,07%).

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

1.1. Information on equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	26.058.750	21.391.324
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.716.725	6.833.879
Profit	3.600.060	4.667.426
Net profit of the period	3.600.060	4.667.426
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	19.696	16.934
Common Equity Tier 1 capital before regulatory adjustments	**44.399.219**	**41.913.551**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	81.748	53.668
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	1.574.703	2.910.052
Improvement costs for operating leasing	123.898	99.637
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	792.785	721.454
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	1.513.584
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	805.305
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**3.552.627**	**7.083.193**
Common Equity Tier 1 capital (CET1)	**40.846.592**	**34.830.358**

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

ADDITIONAL TIER 1 CAPITAL	**Current Period**	**Prior Period**
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	3.861.130	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	**3.861.130**	**-**
Additional Tier 1 capital: regulatory adjustments	-	-
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	**3.861.130**	**-**
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**44.707.722**	**34.830.358**
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.817.423	7.070.650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	492.467	711.040
Provisions (Article 8 of the Regulation on the Equity of Banks) (1)	2.723.888	2.522.438
Tier 2 capital before regulatory adjustments	**10.033.778**	**10.304.128**
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	112.694	87.791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	**112.694**	**87.791**
Total Tier 2 capital	**9.921.084**	**10.216.337**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**54.589.297**	**45.002.936**
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.337	4.893
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition (2)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	35.172	38.866
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights(amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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

OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	54.589.297	45.002.936
Total Risk Weighted Assets	306.434.651	280.045.872
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	13,33	12,44
Tier 1 Capital Adequacy Ratio (%)	14,59	12,44
Capital Adequacy Ratio (%)	17,81	16,07
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,530	1,900
a) Capital conservation buffer requirement (%)	2,500	1,875
b) Bank's specific countercyclical buffer requirement (%)	0,030	0,025
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	8,590	6,437
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	902.257	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.848.751	2.393.632
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	6.384.341	5.177.890
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.492.164	3.233.895
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	492.467	711.040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.993.118	4.549.860

(1) Represents post-tax net amount of general provisions.

(2) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Details on Subordinated Liabilities:

	1	2
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law
Regulatory treatment		
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.085	963
Par value of instrument	3.475	1.604
Accounting classification	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013
Perpetual or dated	Dated	Dated
Original maturity date	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends		
Fixed or floating dividend/coupon	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156% fixed
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible		
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-

3	4	5	6	7
Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55	TRSYKBK62914	TRSYKBK92911
BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law	BRSA /CMB / Turkish Law	BRSA /CMB / Turkish Law
Yes	No	No	No	No
Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Bond	Bond	Bond	Bond	Bond
492	2.970	3.861	500	300
5.485	2.970	3.861	500	300
Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
December 6, 2012	March 8, 2016	January 15, 2019	July,3 2019	October,3 2019
Dated	Dated	Perpetual	Dated	Dated
10 years	10 years + 1 day	-	10 years	10 years
No	Yes	Yes	Yes	Yes
-	5 years	Every 5 years	After 5th year	After 5th year
-	-	Every 5 years	After 5th year	After 5th year
Fixed	Fixed	Fixed	Variable İnterest	Variable İnterest
5,7%	8,625% 5 Year MidSwap+7,40% basis points, 8,625% coupon	First 5 years 13,875% fixed, after 5th year MidSwap+11,245% fixed	3 monthly TRYLIBOR +1,00 %	TLREF index change + 1,30%
-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
-	Mandatory	Optional	Mandatory	Mandatory
-	-	-	-	-
Noncumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
-	Partial	Partial and complete	Partial and complete	Partial and complete
-	Permanent	Temporary	Permanent	Permanent
-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
Yes	No	No	No	No
8-2-ğ	-	-	-	-

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

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4. Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Private sector receivables:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	226.912.767	-	226.912.767
Malta	984.064	-	984.064
Italy	856.991	-	856.991
Marshall Islands	537.654	-	537.654
Republic of Maldives	468.238	-	468.238
Azerbaijan	433.148	-	433.148
United States of America	321.904	-	321.904
Germany	170.214	-	170.214
Russia	140.006	-	140.006
Netherland	131.804	-	131.804
England	99.431	-	99.431
Other	637.359	-	637.359
Total	**231.693.580**	-	**231.693.580**

2. Explanations on Credit Risk:

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type.While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office.

Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate, Commercial, ME and SME customers of the Bank is as follows:

	Current Period	Prior Period
Above average	47,5%	48,1%
Average	42,8%	45,1%
Below average	9,7%	6,8%

The Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside expected credit loss provisions in accordance with the Provisioning Regulation within the scope of "provisions" and "value adjustments".

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

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

Risk Classifications:	Current Period risk amount [1]	Average risk amount
Conditional and unconditional receivables from central governments or central banks	92.150.105	92.081.822
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	103.721	265.917
Conditional and unconditional receivables from multilateral development banks	10.915	11.320
Conditional and unconditional receivables from banks and brokerage houses	53.711.267	36.527.510
Conditional and unconditional receivables from corporates	170.849.203	171.333.725
Conditional and unconditional retail receivables	81.639.594	78.592.249
Conditional and unconditional receivables secured by mortgages	25.369.290	28.525.419
Past due receivables	6.874.221	5.066.039
Receivables defined as high risk category by the Regulator	191.966	154.136
Investment in equities	4.997	2.905
Other receivables	8.309.081	7.343.162
Conditional and unconditional receivables from central governments or central banks	13.753.425	13.950.857
Total	**452.967.785**	**433.855.061**

[1] Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2 The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3 In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4 Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5 Regarding credit risk;

- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 36% and 43% (December 31, 2018 - 31% and 40%).
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 62% (December 31, 2018 - 49% and 64%).
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 39% and 48% of total cash loans and non-cash loans (December 31, 2018 - 37% and 47%).

2.6 The Bank provided a generic loan loss provision amounting to TL 6.384.341 (December 31, 2018 - TL 5.177.890).

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

2.7 Risk profile according to the geographical concentration:

	Risk Classifications [1)(2)]					
	1	2	3	4	5	6
Current Period						
Domestic	92.150.105	-	103.721	-	19.817.368	162.590.256
EU countries	-	-	-	2.001	17.882.457	2.490.793
OECD countries [3]	-	-	-	-	2.060.550	1.021.697
Off-shore banking regions	-	-	-	-	35.926	1.355.650
USA, Canada	-	-	-	8.914	13.746.036	1.794.590
Other countries	-	-	-	-	168.930	1.596.217
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities [4]	-	-	-	-	-	-
Total	**92.150.105**	**-**	**103.721**	**10.915**	**53.711.267**	**170.849.203**

	Risk Classifications[(1)(2)]					
	1	2	3	4	5	6
Prior Period						
Domestic	97.830.947	-	144.783	-	170.475	156.548.026
EU countries	-	-	-	2.133	15.895.645	2.337.700
OECD countries [3]	-	-	-	-	730.633	1.002.214
Off-shore banking regions	-	-	-	-	50.628	1.305.144
USA, Canada	-	-	-	7.900	841.829	913.892
Other countries	-	-	-	-	197.629	1.749.569
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities [4]	-	-	-	-	-	-
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis

1- Conditional and unconditional receivables from central governments or central banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative units and non-commercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from banks and brokerage houses
6- Conditional and unconditional receivables from corporates
7- Conditional and unconditional retail receivables
8- Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Exposures in the form of collective investment undertaking
12- Investment in equities
13- Other receivables

Risk Classifications 1)(2)							
7	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
81.626.189	25.361.708	6.760.768	191.963	4.997	212.671	13.753.425	402.573.171
6.477	3.296	101.323	-	-	-	-	20.486.347
902	1.688	2	-	-	-	-	3.084.839
33	-	11.717	-	-	-	-	1.403.326
1.243	934	7	-	-	269.484	-	15.821.208
4.750	1.664	404	3	-	-	-	1.771.968
-	-	-	-	-	7.826.926	-	7.826.926
-	-	-	-	-	-	-	-
81.639.594	**25.369.290**	**6.874.221**	**191.966**	**4.997**	**8.309.081**	**13.753.425**	**452.967.785**

Risk Classifications 1)(2)							
7	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
77.214.539	28.250.110	3.556.045	105.662	2.567	10.614	12.589.841	376.423.609
5.004	1.611	14.814	-	-	-	-	18.256.907
651	1.524	-	73	-	-	-	1.735.095
8	-	13.294	-	-	-	-	1.369.074
548	253	14	-	-	170.522	-	1.934.958
2.265	933	6.901	-	-	-	-	1.957.297
-	-	-	-	-	5.984.654	-	5.984.654
-	-	-	-	-	-	-	-
77.223.015	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**407.661.594**

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

2.8 Risk profile according to sectors and counterparties:

	Risk classifications [1][2]						
	1	2	3	4	5	6	7
Agricultural	**5**	**-**	**2.595**	**-**	**-**	**4.783.312**	**1.720.988**
Farming and raising livestock	5	-	2.595	-	-	3.831.721	1.487.320
Forestry	-	-	-	-	-	742.300	208.936
Fishing	-	-	-	-	-	209.291	24.732
Manufacturing	**-**	**-**	**1.354**	**-**	**-**	**99.420.068**	**19.280.202**
Mining	-	-	-	-	-	988.595	204.474
Production	-	-	1.309	-	-	58.733.972	18.762.664
Electric, gas and water	-	-	45	-	-	39.697.501	313.064
Construction	**-**	**-**	**28**	**-**	**-**	**27.992.142**	**4.879.780**
Services	**92.150.100**	**-**	**99.744**	**10.915**	**52.918.148**	**37.909.176**	**10.016.408**
Wholesale and retail trade	-	-	-	-	-	4.613.625	4.634.530
Hotel, food and beverage services	2	-	4	-	-	5.008.245	1.278.275
Transportation and telecommunication	-	-	-	-	-	9.877.791	1.320.623
Financial institutions	92.148.039	-	16	10.915	52.918.148	6.404.304	351.549
Real estate and renting services	-	-	368	-	-	4.404.074	528.897
Self-employment services	-	-	-	-	-	-	-
Education services	1.618	-	444	-	-	333.976	151.425
Health and social services	441	-	98.912	-	-	7.267.161	1.751.109
Other	**-**	**-**	**-**	**-**	**793.119**	**744.505**	**45.742.216**
Total	**92.150.105**	**-**	**103.721**	**10.915**	**53.711.267**	**170.849.203**	**81.639.594**

[1] Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
[2] Includes credit risk amounts of total exposure before applying credit risk mitigations.

1- Conditional and unconditional receivables from central governments or central banks

2- Conditional and unconditional receivables from regional or local governments

3- Conditional and unconditional receivables from administrative units and non-commercial enterprises

4- Conditional and unconditional receivables from multilateral development banks

5- Conditional and unconditional receivables from banks and brokerage houses

6- Conditional and unconditional receivables from corporates

7- Conditional and unconditional retail receivables

8- Conditional and unconditional receivables secured by mortgages

9- Past due receivables

10- Receivables defined as high risk category by the Regulator

11- Exposures in the form of collective investment undertaking

12- Investment in equities

13- Other receivables

Risk classifications (1)(2)								
8	9	10	11	12	13	TL	FC	Total
345.335	**218.459**	**1.112**	**-**	**-**	**-**	**3.627.103**	**3.444.703**	**7.071.806**
317.680	157.906	1.019	-	-	-	2.987.342	2.810.904	5.798.246
25.562	3.109	20	-	-	-	522.259	457.668	979.927
2.093	57.444	73	-	-	-	117.502	176.131	293.633
6.988.647	**4.098.591**	**156.751**	**-**	**1.870**	**-**	**58.678.107**	**71.269.376**	**129.947.483**
42.098	105.256	341	-	-	-	990.119	350.645	1.340.764
6.727.885	2.536.216	9.102	-	1.870	-	47.984.848	38.788.170	86.773.018
218.664	1.457.119	147.308	-	-	-	9.703.140	32.130.561	41.833.701
3.117.420	**767.721**	**17.198**	**-**	**22.636**	**-**	**12.666.003**	**24.130.922**	**36.796.925**
7.708.091	**1.226.923**	**6.273**	**-**	**8.281.995**	**9.203.113**	**98.628.898**	**120.901.988**	**219.530.886**
1.028.973	263.146	2.142	-	-	-	8.032.937	2.509.479	10.542.416
2.854.390	247.237	350	-	-	-	2.982.811	6.405.692	9.388.503
484.902	162.109	1.256	-	204.053	-	3.514.002	8.536.732	12.050.734
456.975	5.382	206	-	8.074.258	9.203.113	76.845.459	92.727.446	169.572.905
2.246.423	487.710	902	-	-	-	1.843.342	5.825.032	7.668.374
-	-	-	-	-	-	-	-	-
86.974	8.454	27	-	-	-	533.440	49.478	582.918
549.454	52.885	1.390	-	3.684	-	4.876.907	4.848.129	9.725.036
7.209.797	**562.527**	**10.632**	**4.997**	**2.580**	**4.550.312**	**58.492.971**	**1.127.714**	**59.620.685**
25.369.290	**6.874.221**	**191.966**	**4.997**	**8.309.081**	**13.753.425**	**232.093.082**	**220.874.703**	**452.967.785**

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

2.9 Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	37.548.377	3.657.678	1.000.629	1.343.044	46.612.107	90.161.835
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	7.830	7.062	32.715	30.351	25.672	103.630
Conditional and unconditional receivables from multilateral development banks	891	169	8.745	844	266	10.915
Conditional and unconditional receivables from banks and brokerage houses	28.001.754	2.602.372	2.463.151	1.507.702	6.776.711	41.351.690
Conditional and unconditional receivables from corporates	11.012.188	14.678.952	13.970.991	22.076.001	109.035.704	170.773.836
Conditional and unconditional retail receivables	29.254.109	2.803.110	4.216.816	6.098.064	36.473.027	78.845.126
Conditional and unconditional receivables secured by mortgages	469.960	882.837	1.300.901	2.025.777	20.639.817	25.319.292
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	266	94.955	1.373	3.871	72.827	173.292
Exposures in the form of collective investment undertaking	-	-	4.997	-	-	4.997
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**106.295.375**	**24.727.135**	**23.000.318**	**33.085.654**	**219.636.131**	**406.744.613**

[1] Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10 Risk balances according to risk weights:

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

	Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	85.132.248	12.923.453	86.471	30.909.199	10.686.535	27.091.531	81.639.595	202.059.499	1.536.997	902.257	452.967.785	2.048.379
2	Total exposure after credit risk mitigation	94.498.987	308.898	86.471	30.848.778	10.686.535	26.464.464	74.144.096	195.262.364	797.184	902.257	434.000.034	

2.11.Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2019.

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

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2019.

Sectors and Counterparties	Loans		Provisions
	Impaired		
	Significant increase in credit risk (stage 2)	Credit Impaired (stage 3)	Expected Credit Losses
Agricultural	**568.593**	**651.877**	**441.319**
Farming and raising livestock	315.001	539.641	388.917
Forestry	251.899	17.627	15.271
Fishing	1.693	94.609	37.131
Manufacturing	**24.347.121**	**10.986.548**	**10.113.600**
Mining	83.190	252.273	153.006
Production	6.110.621	6.916.569	4.726.810
Electric, gas and water	18.153.310	3.817.706	5.233.785
Construction	**11.617.351**	**2.359.844**	**2.327.689**
Manufacturing	**5.786.072**	**3.322.042**	**2.453.428**
Wholesale and retail trade	544.065	935.448	690.388
Hotel, food and beverageservices	692.777	563.842	359.017
Transportation and telecommunication	608.930	584.233	480.837
Financial institutions	1.100.704	56.337	154.982
Real estate and renting services	2.187.666	891.519	511.631
Professional Services	-	-	-
Education services	18.257	27.544	20.251
Health and social services	633.674	263.120	236.321
Other	**2.729.092**	**2.129.989**	**1.760.241**
Total	**45.048.229**	**19.450.300**	**17.096.277**

2.12 Information about value adjustments and changes in the loan impairment:

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments[1]	Close out balance
1 Specific provisions	9.616.506	7.565.826	(1.584.283)	(3.412.145)	12.185.904
2 General provisions	5.177.890	1.206.451	-	-	6.384.341

[1] The figure represents write-off's and also includes NPL sales amounts.

3. Explanations on Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated minimum annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Strategic Risk Control" and "Risk Validation" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level..

For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

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

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	**Prior Period**	**Current Period**
1	Credit risk (excluding counterparty credit risk) (CCR)	272.047.948	251.757.093	21.763.836
2	Of which standardised approach (SA)	272.047.948	251.757.093	21.763.836
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5.066.958	6.953.111	405.357
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5.066.958	6.953.111	405.357
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds - look-through approach	2.603	1.459	208
9	Equity investments in funds - mandate-based approach	-	-	-
10	Equity investments in funds - fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2.581.955	2.037.040	206.556
17	Of which standardised approach (SA)	2.581.955	2.037.040	206.556
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	24.479.544	19.297.169	1.958.364
20	Of which Basic Indicator Approach	24.479.544	19.297.169	1.958.364
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	2.255.643	-	180.452
24	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**306.434.651**	**280.045.872**	**24.514.773**

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

3.2. Linkages between financial statements and risk amounts

3.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

		Carrying values of items in accordance with TAS				
Current Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Financial Assets (Net)	106.477.051	90.941.386	19.649.161	-	3.301.223	112.694
Financial Assets Measured at Amortised Cost (Net)	252.057.151	257.983.529	-	-	-	39.509
Assets Held For Resale and Related To Discontinued Operations (Net)	320.059	320.059	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	7.826.926	7.826.926	-	-	-	-
Property and Equipment (Net)	4.281.326	4.157.428	-	-	-	123.898
Intangible Assets (Net)	1.845.101	72.823	-	-	-	1.772.278
Tax Asset	1.980.629	1.980.629	-	-	-	-
Other Assets	12.707.584	12.816.493	-	-	-	-
TOTAL ASSETS	**387.495.827**	**376.099.273**	**19.649.161**	**-**	**3.301.223**	**2.048.379**
Liabilities						
Deposits	222.790.118	-	-	-	-	222.790.118
Borrowings	38.110.542	-	-	-	-	38.110.542
Money Markets	3.695.744	-	3.695.744	-	-	-
Marketable Securities Issued (Net)	20.703.691	-	-	-	-	20.703.691
Financial Liabilities Fair Value Through Profit and Loss	13.184.605	-	-	-	-	13.184.605
Derivative Financial Liabilities	7.076.433	-	2.679.451	-	2.771.885	4.396.982
Lease Payables (Net)	899.105	-	-	-	-	899.105
Provisions	3.620.181	-	-	-	-	3.620.181
Tax Liability	838.765	-	-	-	-	838.765
Subordinated Debts	18.580.039	-	-	-	-	18.580.039
Other Liabilities	16.808.950	-	-	-	-	16.808.950
Shareholder's Equity	41.187.654	-	-	-	-	41.187.654
TOTAL LIABILITIES	**387.495.827**	**-**	**6.375.195**	**-**	**2.771.885**	**381.120.632**

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

		Carrying values of items in accordance with TAS				
Prior Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Financial Assets (Net)	93.105.326	84.111.010	10.667.318	-	5.097.504	87.791
Financial Assets Measured at Amortised Cost (Net)	232.975.018	237.807.906	-	-	-	43.759
Assets Held For Resale and Related To Discontinued Operations (Net)	288.349	288.349	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	6.789.960	5.984.655	-	-	-	805.305
Property and Equipment (Net)	3.270.211	3.170.574	-	-	-	99.637
Intangible Assets (Net)	1.749.439	48.492	-	-	-	1.700.947
Tax Asset	569.635	569.635	-	-	-	-
Other Assets	9.295.653	9.372.391	-	-	-	-
TOTAL ASSETS	**348.043.591**	**341.353.012**	**10.667.318**	**-**	**5.097.504**	**2.737.439**
Liabilities						
Deposits	202.549.136	-	-	-	-	202.549.136
Borrowings	37.349.338	-	-	-	-	37.349.338
Money Markets	1.545.621	-	1.345.575	-	-	200.046
Marketable Securities Issued (Net)	16.385.012	-	-	-	-	16.385.012
Financial Liabilities Fair Value Through Profit and Loss	7.965.404	-	-	-	-	7.965.404
Derivative Financial Liabilities	7.281.305	-	4.173.497	-	5.632.629	3.107.807
Lease Payables (Net)	219	-	-	-	-	219
Provisions	3.307.657	-	-	-	-	3.307.657
Tax Liability	1.091.311	-	-	-	-	1.091.311
Subordinated Debts	13.557.153	-	-	-	-	13.557.153
Other Liabilities	18.007.936	-	-	-	-	18.007.936
Shareholder's Equity	39.003.499	-	-	-	-	39.003.499
TOTAL LIABILITIES	**348.043.591**	**-**	**5.519.072**	**-**	**5.632.629**	**342.524.518**

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

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

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	399.049.657	376.099.273	-	19.649.161	3.301.223
2	Liabilities carrying value amount under regulatory scope of consolidation	9.147.080	-	-	6.375.195	2.771.885
3	**Total net amount under regulatory scope of consolidation**	**389.902.577**	**376.099.273**		**13.273.966**	**529.338**
4	Off-Balance Sheet Amounts	184.268.857	57.961.645	-	1.729.316	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	-	-	-	-	2.052.617
9	Differences due to risk reduction	-	(4.969.862)	-	(10.094.304)	-
	Risk Amounts	**574.171.434**	**429.091.056**	**-**	**4.908.978**	**2.581.955**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	357.117.834	341.353.012	-	10.667.318	5.097.504
2	Liabilities carrying value amount under regulatory scope of consolidation	11.151.701	-	-	5.519.072	5.632.629
3	**Total net amount under regulatory scope of consolidation**	**345.966.133**	**341.353.012**		**5.148.246**	**(535.125)**
4	Off-Balance Sheet Amounts	162.150.694	58.407.567	-	1.583.452	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	-	-	-	-	2.572.165
9	Differences due to risk reduction	-	(3.593.587)	-	(21.390)	-
	Risk Amounts	**508.116.827**	**396.166.992**	**-**	**6.710.308**	**2.037.040**

3.2.3. Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on Credit Risk

3.3.1 General information on credit risk

3.3.1.1. General qualitative information on credit risk

Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year.

Credit granting authorization levels are also determined in accordance with the rating of the customer in ME and SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks.During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies,key messages are provided based on principles of prudence,continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA - using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA - using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank's internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Strategic Risk Control is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics.The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals. The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification, reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

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

3.3.1.2. Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	18.274.502	222.836.742	17.322.615	223.788.629
2	Debt Securities	-	55.134.302	89.226	55.045.076
3	Off-balance sheet exposures	1.175.798	162.254.940	926.819	162.503.919
	Total	**19.450.300**	**440.225.984**	**18.338.660**	**441.337.624**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	12.379.857	212.650.945	13.692.652	211.338.150
2	Debt Securities	-	48.451.023	93.362	48.357.661
3	Off-balance sheet exposures	1.079.128	151.004.470	865.369	151.218.229
	Total	**13.458.985**	**412.106.438**	**14.651.383**	**410.914.040**

3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**13.458.985**	**9.968.426**
2	Loans and debt securities that have defaulted since the last reporting period	11.166.004	8.163.643
3	Returned to non-defaulted status	43.356	59.536
4	Amounts written off	3.412.145	2.505.832
5	Other changes	(1.719.188)	(2.107.716)
	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	**19.450.300**	**13.458.985**

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

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loans and receivables are classified as non performing loans and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1 Exposures provisioned against by major regions[1]

	Current Period	Prior Period
Domestic	305.661.700	289.718.974
USA,Canada	3.628.707	1.848.127
European Union (EU) Countries	4.775.577	4.864.518
OECD Countries	2.257.472	2.442.738
Off-Shore Banking Regions	130	795
Other Countries	2.716.471	2.813.895
Total	**319.040.057**	**301.689.047**

[1] Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

3.3.1.4.2 Exposures provisioned against by major sectors [1]

	Current Period	Prior Period
Agricultural	**9.034.949**	**6.253.534**
Farming and raising livestock	7.599.560	5.156.687
Forestry	1.114.224	791.809
Fishing	321.165	305.038
Manufacturing	**134.328.052**	**124.940.044**
Mining and Quarrying	1.374.605	1.920.091
Production	89.028.167	80.561.262
Electricity, Gas, Water	43.925.280	42.458.691
Construction	**43.228.417**	**50.761.150**
Services	**57.045.861**	**50.809.723**
Wholesale and retail trade	8.918.800	8.641.160
Hotel, food and beverage services	8.182.195	7.683.497
Transportation and telecommunication	11.461.872	12.052.947
Financial institutions	10.109.069	9.842.157
Real estate and leasing services	7.588.280	2.511.232
Self-employment services	-	-
Education services	588.204	338.336
Health and social services	10.197.441	9.740.394
Other	**75.402.778**	**68.924.596**
Total	**319.040.057**	**301.689.047**

[1] Breakdown of cash loans, non-cash loans and non-performing loans by sectors.

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

3.3.1.4.3 Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note 7 of Section 4.

3.3.1.4.4 Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

3.3.1.4.5 Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 16.920.001(December,31 2018- TL 12.202.258) has been set aside for the risk at an amount of TL 11.246.982 (December,31 2018- TL 8.734.513)

3.3.1.4.6 Aging analysis for overdue receivables [(1)]

	Current Period	Prior Period
31-60 days	1.303.398	1.654.459
61-90 days	843.169	1.143.952
Other	34.158.485	29.707.328
Total	**36.305.052**	**32.505.739**

[(1)] Overdue receivables represent overdue of cash loans.

3.3.1.4.7 Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.176.593	4.507.426
Loans restructured from Loans under legal follow-up	1.350.926	237.499
Total	**22.527.519**	**4.744.925**

3.3.1.4.8 Informations related to expected credit losses for loans:

	Stage1	Stage2	Stage3	Total
Beginning of the period (1 January 2019)	**1.229.290**	**3.609.060**	**8.854.302**	**13.692.652**
Additions	626.189	958.560	7.410.314	8.995.063
Disposals	483.540	215.113	1.702.977	2.401.630
Sold (-)	-	-	2.568.732	2.568.732
Write offs	-	-	843.413	843.413
Transfer to stage 1	15.052	(14.212)	(840)	-
Transfer to stage 2	(353.697)	392.639	(38.942)	-
Transfer to stage 3	(25.831)	(278.361)	304.192	-
Foreign currency differences	60.007	388.668	-	448.675
End of the period	**1.067.470**	**4.841.241**	**11.413.904**	**17.322.615**

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	Stage1	Stage2	Stage3	Total
Beginning of the period (1 January 2018)	**1.775.595**	**594.458**	**7.855.580**	**10.225.634**
Additions	307.347	2.803.355	6.369.614	9.480.316
Disposals	591.109	390.194	2.896.515	3.877.818
Sold (-)	-	-	2.014.893	2.014.893
Write offs	-	-	490.939	490.939
Transfer to stage 1	53.179	(47.419)	(5.760)	-
Transfer to stage 2	(334.860)	386.557	(51.697)	-
Transfer to stage 3	(40.088)	(48.824)	88.912	-
Foreign currency differences	59.226	311.127	-	370.353
End of the period	**1.229.290**	**3.609.060**	**8.854.302**	**13.692.652**

3.3.2 Credit risk mitigation

3.3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements, the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintenance of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,

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- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

3.3.2.2 Credit risk mitigation techniques - overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	154.691.434	69.097.195	36.857.104	11.903.657	9.616.692	-	-
Debt securities	55.045.076	-	-	-	-	-	-
Total	**209.736.510**	**69.097.195**	**36.857.104**	**11.903.657**	**9.616.692**	**-**	**-**
Of which defaulted	3.415.412	3.445.186	927.053	733.593	371.782	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	146.881.022	64.457.128	37.506.118	12.559.374	9.177.350	-	-
Debt securities	48.357.661	-	-	-	-	-	-
Total	**195.238.683**	**64.457.128**	**37.506.118**	**12.559.374**	**9.177.350**	**-**	**-**
Of which defaulted	2.047.013	1.478.542	385.677	199.034	46.465	-	-

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

3.3.3 Credit risk under standardised approach

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

An international rating firm, Fitch Ratings' external risk ratings are used 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". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

				Claims on banks and intermediary institutions		
Credit Quality Grade	**Fitch Ratings**	**Claims on sovereigns and Central Banks**	**Claims on administrative bodies and other non-commercial undertakings**	**Contractual maturity of claims under 3 months**	**Contractual maturity of claims over 3 months**	**Claims on corporates**
1	AAA					
	AA+					
	AA					
	AA-	0%	20%	20%	20%	20%
2	A+					
	A					
	A-	20%	50%	20%	50%	50%
3	BBB+					
	BBB					
	BBB-	50%	100%	20%	50%	100%
4	BB+					
	BB					
	BB-	100%	100%	50%	100%	100%
5	B+					
	B					
	B-	100%	100%	50%	100%	150%
6	CCC+					
	CCC					
	CCC-					
	CC					
	C					
	D	150%	150%	150%	150%	150%

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

3.3.3.2 Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	91.426.756	1.652	101.350.654	228.778	12.348.268	12,16%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4	Exposures to multilateral development banks	-	21.529	-	10.915	-	0,00%
5	Exposures to institutions	35.396.204	12.265.124	35.460.779	2.486.616	11.977.104	31,56%
6	Exposures to corporates	121.685.788	105.184.606	117.443.002	44.006.942	159.635.668	98,88%
7	Retail exposures	75.284.542	62.019.916	68.154.449	5.984.507	55.604.218	75,00%
8	Exposures secured by residential property	10.587.317	166.939	10.587.317	99.218	3.740.288	35,00%
9	Exposures secured by commercial real estate	12.736.844	2.386.130	12.736.844	1.686.593	7.211.720	50,00%
10	Past-due loans	6.841.923	52.945	6.465.262	31.762	4.986.574	76,75%
11	Higher-risk categories by the Agency Board	18.674	2.046.794	18.605	167.920	278.557	149,34%
12	Exposures in the form of collective investment undertaking	4.997	-	4.997	-	2.602	52,07%
13	Investments in equities	8.309.081	-	8.309.081	-	9.662.467	116,29%
14	Other receivables	13.753.425	-	13.753.425	-	8.755.338	63,66%
	Total	**376.099.273**	**184.268.857**	**374.338.127**	**54.752.929**	**274.306.194**	**63,93%**

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

	Prior Period	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	97.824.620	4.396	106.898.763	371.306	10.779.696	10,05%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	89.289	133.970	89.285	54.812	144.097	100,00%
4	Exposures to multilateral development banks	-	19.796	-	10.033	-	0,00%
5	Exposures to institutions	9.886.876	5.802.535	10.036.548	3.013.317	5.832.724	44,70%
6	Exposures to corporates	115.066.308	100.587.739	109.929.988	44.017.505	152.263.063	98,91%
7	Retail exposures	69.490.305	53.028.108	63.832.377	7.289.559	53.341.452	75,00%
8	Exposures secured by residential property	9.514.269	100.901	9.514.269	47.078	3.346.472	35,00%
9	Exposures secured by commercial real estate	17.197.592	2.156.177	17.197.592	1.463.014	9.330.303	50,00%
10	Past-due loans	3.508.678	136.233	3.460.061	82.188	3.078.279	86,90%
11	Higher-risk categories by the Agency Board	16.877	180.839	16.783	84.316	150.361	148,73%
12	Exposures in the form of collective investment undertaking	2.567	-	2.567	-	1.459	56,84%
13	Investments in equities	6.165.790	-	6.165.790	-	6.165.790	100,00%
14	Other receivables	12.589.841	-	12.589.841	-	7.324.856	58,18%
	Total	**341.353.012**	**162.150.694**	**339.733.864**	**56.433.128**	**251.758.552**	**63,55%**

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

3.3.3.3 Standardised approach - exposures by asset classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%
1	Exposures to central governments or central banks	89.231.165	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-
3	Exposures to public sector entities	-	-	-	-
4	Exposures to multilateral development banks	10.915	-	-	-
5	Exposures to institutions	-	-	29.418.770	-
6	Exposures to corporates	330.804	-	714.368	-
7	Retail exposures	-	-	-	-
8	Exposures secured by residential property	-	-	-	10.686.535
9	Exposures secured by commercial real estate	-	-	-	-
10	Past-due loans	-	-	-	-
11	Higher-risk categories by the Agency Board	-	-	-	-
12	Investments made in collective investment companies	178	-	2.343	-
13	Investments in equities	-	-	-	-
14	Other receivables	4.914.021	-	105.082	-
	Total	**94.487.083**	**-**	**30.240.563**	**10.686.535**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%
1	Exposures to central governments or central banks	96.490.372	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-
3	Exposures to public sector entities	-	-	-	-
4	Exposures to multilateral development banks	10.033	-	-	-
5	Exposures to institutions	-	-	6.046.065	-
6	Exposures to corporates	-	-	470.454	-
7	Retail exposures	-	-	-	-
8	Exposures secured by residential property	-	-	-	9.561.347
9	Exposures secured by commercial real estate	-	-	-	-
10	Past-due loans	-	-	-	-
11	Higher-risk categories by the Agency Board	-	-	-	-
12	Investments made in collective investment companies	351	-	670	-
13	Investments in equities	-	-	-	-
14	Other receivables	5.186.612	-	97.961	-
	Total	**101.687.368**	**-**	**6.615.150**	**9.561.347**

50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
-	-	12.348.267	-	-	-	-	101.579.432
-	-	-	-	-	-	-	-
-	-	103.390	-	-	-	-	103.390
-	-	-	-	-	-	-	10.915
4.910.718	-	3.577.742	40.165	-	-	-	37.947.395
1.823.955	-	158.580.817	-	-	-	-	161.449.944
-	74.138.956	-	-	-	-	-	74.138.956
-	-	-	-	-	-	-	10.686.535
14.423.437	-	-	-	-	-	-	14.423.437
3.593.852	-	2.330.218	572.954	-	-	-	6.497.024
-	-	2.460	184.065	-	-	-	186.525
683	-	1.793	-	-	-	-	4.997
-	-	7.406.824	-	-	902.257	-	8.309.081
-	-	8.734.322	-	-	-	-	13.753.425
24.752.645	**74.138.956**	**193.085.833**	**797.184**	**-**	**902.257**	**-**	**429.091.056**

50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
-	-	10.779.697	-	-	-	-	107.270.069
-	-	-	-	-	-	-	-
-	-	144.097	-	-	-	-	144.097
-	-	-	-	-	-	-	10.033
4.761.382	-	2.241.614	804	-	-	-	13.049.865
2.616.132	-	150.860.907	-	-	-	-	153.947.493
-	71.121.936	-	-	-	-	-	71.121.936
-	-	-	-	-	-	-	9.561.347
18.660.606	-	-	-	-	-	-	18.660.606
1.379.225	-	1.711.738	451.286	-	-	-	3.542.249
741	-	1.094	99.264	-	-	-	101.099
442	-	1.104	-	-	-	-	2.567
-	-	6.165.790	-	-	-	-	6.165.790
-	-	7.305.268	-	-	-	-	12.589.841
27.418.528	**71.121.936**	**179.211.309**	**551.354**	**-**	**-**	**-**	**396.166.992**

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

3.4 Explanation on Counterparty credit risk

3.4.1 Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2 Assessment of Counterparty Credit Risk according to the models of measurement

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	2.166.338	1.729.316		1,4	3.869.598	2.841.880
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					644.011	316.058
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						**3.157.938**

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	4.257.469	1.583.452		1,4	5.818.652	4.067.442
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					534.254	220.723
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						**4.288.165**

[1] Effective expected positive exposure

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

3.4.3 Credit valuation adjustment (CVA) capital charge

		Current Period		Prior Period	
		Exposure (After credit risk mitigation methods)	**Risk Weighted Amounts**	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3	All portfolios subject to Standardised CVA capital obligation	3.869.598	1.899.383	6.352.906	2.486.015
	Total amount of CVA capital adequacy	**3.869.598**	**1.899.383**	**6.352.906**	**2.486.015**

3.4.4 Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period Risk Weights/Risk Classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk[(1)]**
1 Central governments and central banks receivables	11.904	-	-	-	-	-	-	-	21.050	-	-	32.954
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
5 Banks and Intermediary Institutions receivables	-	308.898	86.471	-	607.980	-	1.446.935	-	181.167	-	-	2.631.451
6 Corporate receivables	-	-	-	-	235	-	5.566	-	1.974.314	-	-	1.980.115
7 Retail receivables	-	-	-	-	-	-	-	5.140	-	-	-	5.140
8 Mortgage receivables	-	-	-	-	-	-	259.318	-	-	-	-	259.318
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**11.904**	**308.898**	**86.471**	**-**	**608.215**	**-**	**1.711.819**	**5.140**	**2.176.531**	**-**	**-**	**4.908.978**

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

	Prior Period Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk[1]
1	Central governments and central banks receivables	-	-	-	-	-	-	5.466	-	-	5.466
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	918.155	-	2.973.644	-	15.183	-	-	3.906.982
6	Corporate receivables	-	-	4.512	-	332	-	2.753.134	-	-	2.757.978
7	Retail receivables	-	-	-	-	-	7.403	-	-	-	7.403
8	Mortgage receivables	-	-	-	-	32.479	-	-	-	-	32.479
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**922.667**	**-**	**3.006.455**	**7.403**	**2.773.783**	**-**	**-**	**6.710.308**

[1] Counterparty credit risk is not included in the table.

3.4.5 Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Current Period	**Collaterals Taken**		**Collaterals Given**		**Collaterals Taken**	**Collaterals Given**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash-domestic currency	-	2.594	-	-	2.936.526	10.703.351
2	Cash-foreign currency	-	17.961	-	-	759.218	-
3	Domestic sovereign debts	-	5.501	-	-	10.709.991	4.197.383
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	-	**26.056**	**-**	**-**	**14.405.735**	**14.900.734**

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

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Prior Period	Collaterals Taken		Collaterals Given		Current Period	Collaterals Taken
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	6.776	-	-	1.225.346	-
2	Cash-foreign currency	-	14.886	-	-	-	-
3	Domestic sovereign debts	-	595	-	-	-	1.340.700
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	12	-	-	-	-
	Total	-	**22.269**	**-**	**-**	**1.225.346**	**1.340.700**

3.4.6 Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.732.747	-	8.115.956
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**12.732.747**	**-**	**8.115.956**
Rediscount Amount	**-**	**(229.460)**	**-**	**(346.698)**
Positive Rediscount Amount	-	274.073	-	10.579
Negative Rediscount Amount	-	(503.533)	-	(357.277)

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

3.4.7 Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**9.637**		**178.931**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	112.336	3.976	357.402	178.931
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	283.033	5.661	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		**-**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1 Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

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

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

3.6.2 Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	**Risk Weighted Asset**
	Outright products	**2.561.805**	**1.995.765**
1	Interest rate risk (general and specific)	1.624.256	1.200.683
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	937.549	795.082
4	Commodity risk	-	-
	Options	**20.150**	**41.275**
5	Simplified approach	-	-
6	Delta-plus method	20.150	41.275
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**2.581.955**	**2.037.040**

3.7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017 and 2016 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2019, the total amount subject to operational risk is TL 24.479.544 (December 31, 2018 - TL 19.297.169) and the amount of the related capital requirement is TL 1.958.364 (December 31, 2018 - TL 1.543.773).

Current Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	10.624.908	11.623.339	16.919.024	13.055.757	15,00%	1.958.364
Amount subject to operational risk (Total*12,5)						**24.479.544**

Prior Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	8.627.223	10.624.908	11.623.339	10.291.823	15,00%	1.543.773
Amount subject to operational risk (Total*12,5)						**19.297.169**

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

3.8 Banking book interest rate risk

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price İndex bonds model and early payment model in some consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2019, based on the significant currencies of the Bank.

		Current Period		Prior Period	
Currency	**Applied shock (+/- x basis points)**	**Gains/Losses**	**Gains/SE-Losses/SE**	**Gains/Losses**	**Gains/SE-Losses/SE**
TRY	(+)500 bp	(2.779.791)	(5,09) %	(2.066.411)	(4,59) %
TRY	(-)400 bp	2.547.494	4,67%	1.918.554	4,26%
EUR	(+)200 bp	(88.345)	(0,16) %	(97.759)	(0,22) %
EUR	(-)200 bp	107.025	0,20%	110.571	0,25%
USD	(+)200 bp	(126.269)	(0,23) %	(172.203)	(0,38) %
USD	(-)200 bp	417.118	0,76%	7.013	0,02%
Total (For negative shocks)		**3.071.637**	**5,63%**	**2.036.137**	**4,52%**
Total (For positive shocks)		**(2.994.405)**	**(5,49)** %	**(1.991.967)**	**(4,43) %**

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

4. Explanations on currency risk

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate:	**5,9402**	**6,6506**
First day current bid rate	5,9370	6,6117
Second day current bid rate	5,9302	6,5759
Third day current bid rate	5,9293	6,5755
Fourth day current bid rate	5,9364	6,5773
Fifth day current bid rate	5,9291	6,5714
Arithmetic average of the last 31 days:	**5,8357**	**6,4814**
Balance sheet evaluation rate as of prior period:	**5,2609**	**6,0280**

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

Information related to financial position of the Bank

Current Period	**EUR**	**USD**	**OTHER FC[4]**	**Total**
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	16.873.674	19.739.630	2.248.183	38.861.487
Banks	411.155	18.741.598	90.049	19.242.802
Financial assets at fair value through profit or loss	8.693	333.907	-	342.600
Money market placements	-	-	-	-
Available-for-sale financial assets	686.847	3.237.174	46.157	3.970.178
Loans [1]	41.100.915	44.704.537	1.509.736	87.315.188
Investments in associates, subsidiaries and joint ventures	3.007.687	321.709	902.257	4.231.653
Held-to-maturity investments	342.891	9.992.143	1	10.335.035
Hedging derivative financial assets	-	42.439	-	42.439
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets[2]	4.637.075	5.490.291	510.809	10.638.175
Total assets	**67.068.937**	**102.603.428**	**5.307.192**	**174.979.557**
Liabilities				
Bank deposits	1.213.372	314.210	137.217	1.664.799
Foreign currency deposits	37.414.519	75.072.186	5.469.775	117.956.480
Funds from money market	759.218	-	-	759.218
Funds borrowed from other financial institutions	12.824.000	24.782.347	29.060	37.635.407
Marketable securities issued	66.945	14.724.554	1	14.791.500
Miscellaneous payables	583.361	661.409	34.987	1.279.757
Hedging derivative financial liabilities	96.229	215.747	-	311.976
Other liabilities[3]	601.187	31.255.376	8.551	31.865.114
Total liabilities	**53.558.831**	**147.025.829**	**5.679.591**	**206.264.251**
Net on-balance sheet position	**13.510.106**	**(44.422.401)**	**(372.399)**	**(31.284.694)**
Net off-balance sheet position[5]	**(13.461.636)**	**44.487.861**	**1.281.130**	**32.307.355**
Financial derivative assets	20.046.124	67.176.852	2.642.792	89.865.768
Financial derivative liabilities	33.507.760	22.688.991	1.361.662	57.558.413
Net Position	**48.470**	**65.460**	**908.731**	**1.022.661**
Non-cash loans	**33.196.485**	**25.624.976**	**4.269.490**	**63.090.951**
Prior Period				
Total assets	69.213.666	80.458.736	7.423.155	157.095.557
Total liabilities	61.887.798	122.175.481	3.272.088	187.335.367
Net on-balance sheet position	**7.325.868**	**(41.716.745)**	**4.151.067**	**(30.239.810)**
Net off-balance sheet position	**(7.177.243)**	**40.728.929**	**(3.023.854)**	**30.527.832**
Financial derivative assets	12.305.916	65.659.836	1.863.964	79.829.716
Financial derivative liabilities	19.483.159	24.930.907	4.887.818	49.301.884
Net Position	**148.625**	**(987.816)**	**1.127.213**	**288.022**
Non-cash loans	**29.626.544**	**25.789.992**	**4.436.429**	**59.852.965**

(1) Includes FX indexed loans amounting to TL 1.147.274 (December 31, 2018 - TL 4.356.033) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 317.316 (December 31, 2018 - TL 289.322).
(3) Does not include foreign currency other comprehensive income and expense under equity.
(4) Other FC column includes also gold balance.
(5) Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

	Current Period	Prior Period
Change in currency exchange rates	**Profit/loss effect [1]**	**Profit/loss effect [1]**
(+)15%	(148.104)	(154.786)
(-)15%	148.104	154.786

[1] Including tax effect.

5. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

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

5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.154.114	-	-	-	-	22.195.862	41.349.976
Banks	9.576.848	641.829	-	-	-	12.320.588	22.539.265
Financial assets at fair value through profit/loss	-	162	4.536	13.874	75.296	473.536	567.404
Receivables from money markets	10.703.351	-	-	-	-	-	10.703.351
Financial assets at fair value through other comprehensive income	2.677.987	5.877.816	9.044.577	6.875.211	2.202.096	13.619	26.691.306
Loans(1)	31.787.228	29.853.370	71.526.932	77.677.597	11.991.615	951.887	223.788.629
Financial assets measured at amortised cost	6.053.199	3.806.311	5.017.522	2.642.601	10.786.026	-	28.305.659
Other assets	987.590	1.258.330	1.013.870	1.212.276	276.361	28.801.810	33.550.237
Total assets	**80.940.317**	**41.437.818**	**86.607.437**	**88.421.559**	**25.331.394**	**64.757.302**	**387.495.827**
Liabilities							
Bank deposits	3.755.966	54.503	2.129	-	-	1.348.857	5.161.455
Other deposits	133.518.058	27.806.700	7.224.633	78.406	611	49.000.255	217.628.663
Funds from money market	2.936.525	2	759.217	-	-	-	3.695.744
Miscellaneous payables	-	-	-	-	-	14.228.037	14.228.037
Marketable securities issued	2.956.966	9.456.142	8.290.583	-	-	-	20.703.691
Funds borrowed from other financial institutions	4.798.052	22.673.504	9.487.488	621.382	530.116	-	38.110.542
Other liabilities(2)	4.825.511	13.823.169	851.080	14.682.728	5.557.694	48.227.513	87.967.695
Total liabilities	**152.791.078**	**73.814.020**	**26.615.130**	**15.382.516**	**6.088.421**	**112.804.662**	**387.495.827**
Balance sheet long position	**-**	**-**	**59.992.307**	**73.039.043**	**19.242.973**	**-**	**152.274.323**
Balance sheet short position	**(71.850.761)**	**(32.376.202)**	**-**	**-**	**-**	**(48.047.360)**	**(152.274.323)**
Off-balance sheet long position	14.504.688	36.048.200	-	-	-	-	50.552.888
Off-balance sheet short position	-	-	(5.106.966)	(39.018.130)	(5.444.705)	-	(49.569.801)
Total position	**(57.346.073)**	**3.671.998**	**54.885.341**	**34.020.913**	**13.798.268**	**(48.047.360)**	**983.087**

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

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.903.271	-	-	-	-	28.611.623	55.514.894
Banks	72.597	334.791	320.648	-	-	950.248	1.678.284
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	173.088	241.431
Money market placements	12.056	84.708	20.205	-	-	-	116.969
Available-for-sale financial assets	2.944.901	5.343.549	8.526.942	6.659.334	3.175.156	10.617	26.660.499
Loans	36.667.095	31.771.753	71.788.308	62.358.889	10.064.900	(1.312.796)	211.338.149
Held-to-maturity investments	4.328.097	2.469.932	2.236.900	2.938.946	9.701.291	-	21.675.166
Other assets	1.073.753	2.468.015	1.743.980	3.275.427	454.012	21.803.012	30.818.199
Total assets	**72.001.770**	**42.472.753**	**84.637.920**	**75.247.340**	**23.448.016**	**50.235.792**	**348.043.591**
Liabilities							
Bank deposits	8.642.037	4.154	6.267	-	-	1.085.962	9.738.420
Other deposits	115.559.033	35.590.995	8.969.594	108.694	-	32.582.400	192.810.716
Funds from money market	329.979	271.280	944.362	-	-	-	1.545.621
Miscellaneous payables	-	-	-	-	-	14.305.691	14.305.691
Marketable securities issued	385.241	602.460	2.982.525	9.870.672	2.544.114	-	16.385.012
Funds borrowed from other financial institutions	8.427.274	23.637.947	3.970.517	653.212	660.388	-	37.349.338
Other liabilities[2]	1.708.681	17.378.150	7.180.142	1.932.994	604.114	47.104.712	75.908.793
Total liabilities	**135.052.245**	**77.484.986**	**24.053.407**	**12.565.572**	**3.808.616**	**95.078.765**	**348.043.591**
Balance sheet long position	**-**	**-**	**60.584.513**	**62.681.768**	**19.639.400**	**-**	**142.905.681**
Balance sheet short position	**(63.050.476)**	**(35.012.233)**	**-**	**-**	**-**	**(44.842.972)**	**(142.905.681)**
Off-balance sheet long position	13.214.753	31.877.973	-	-	-	-	45.092.726
Off-balance sheet short position	-	-	(3.718.292)	(33.981.986)	(7.726.791)	-	(45.427.069)
Total position	**(49.835.723)**	**(3.134.260)**	**56.866.221**	**28.699.782**	**11.912.609**	**(44.842.972)**	**(334.343)**

[1] Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.
[2] Shareholders' equity is presented under "Non interest bearing".

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

Average interest rates for monetary financial instruments:

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	0,10	1,72	-	11,29
Financial assets at fair value through profit or loss	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,72
Financial assets at fair value through other comprehensive income	3,34	5,37	-	13,33
Loans	4,79	7,06	5,15	16,83
Financial assets measured at amortised cost	5,25	5,58	-	13,46
Liabilities (1)				
Bank deposits	-	1,80	-	11,31
Other deposits	0,57	2,18	0,30	10,96
Funds from money market	1,90	-	-	9,34
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,01	-	11,74
Funds borrowed from other financial institutions	1,91	3,98	2,64	11,58

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	2,00	-	17,58
Banks	1,51	-	-	23,90
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Money market placements	0,01	-	-	27,00
Available-for-sale financial assets	4,10	5,46	-	18,61
Loans	4,94	7,55	5,15	19,26
Held-to-maturity investments	5,25	5,44	-	18,23
Liabilities (1)				
Bank deposits	0,95	2,50	-	24,46
Other deposits	2,00	4,41	1,85	22,13
Funds from money market	0,10	4,46	-	22,79
Miscellaneous payables	-	-	-	-
Marketable securities issued	3,66	5,38	-	19,19
Funds borrowed from other financial institutions	1,74	4,36	2,64	12,90

(1) Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 57% (31 December 2018, 58%) of total liabilities of the Bank and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and other secured borrowings. A large part of securities which are subjects of the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both CBRT market and interbank market.

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

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework. All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

	Unweighted Amounts		Weighted Amounts	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			87.314.792	44.183.227
Cash Outflows				
Retail and Small Business Customers Deposits	**131.862.269**	**65.399.524**	**11.715.273**	**6.539.873**
Stable deposits	29.419.077	1.580	1.470.954	79
Less stable deposits	102.443.192	65.397.944	10.244.319	6.539.794
Unsecured Funding other than Retail and Small Business Customers Deposits	**84.797.664**	**45.707.458**	**46.175.698**	**22.610.669**
Operational deposits	-	-	-	-
Non-Operational deposits	65.757.266	40.652.351	30.452.955	17.555.562
Other Unsecured funding	19.040.398	5.055.107	15.722.743	5.055.107
Secured funding			**20.009**	**20.009**
Other Cash Outflows	**2.157.263**	**2.440.182**	**2.157.263**	**2.440.182**
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.157.263	2.440.182	2.157.263	2.440.182
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	**98.601.248**	**68.092.124**	**4.930.062**	**3.404.606**
Other irrevocable or conditionally revocable commitments	**78.737.558**	**15.373.161**	**7.964.396**	**3.411.410**
Total Cash Outflows			**72.962.701**	**38.426.749**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	31.994.080	17.426.365	25.383.450	16.332.196
Other contractual cash inflows	662.477	28.938.576	662.477	28.938.576
Total Cash Inflows	**32.656.557**	**46.364.941**	**26.045.927**	**45.270.772**
			Capped Amounts	
Total High Quality Liquid Assets			**87.314.792**	**44.183.227**
Total Net Cash Outflows			**46.916.774**	**9.606.688**
Liquidity Coverage Ratio (%)			**186,11**	**459,92**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2019.

Current Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	October 11, 2019	November 1, 2019	November 29, 2019	December 20, 2019
Ratio(%)	385,94	165,84	539,87	212,23

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2018.

	Unweighted Amounts		Weighted Amounts	
Prior Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.392.428	44.593.256
Cash Outflows				
Retail and Small Business Customers Deposits	**111.945.349**	**51.036.896**	**10.038.207**	**5.103.632**
Stable deposits	23.126.545	1.158	1.156.327	58
Less stable deposits	88.818.804	51.035.738	8.881.880	5.103.574
Unsecured Funding other than Retail and Small Business Customers Deposits	**87.039.745**	**54.837.819**	**46.957.486**	**27.383.101**
Operational deposits	-	-	-	-
Non-Operational deposits	70.857.568	49.033.183	33.530.965	21.579.694
Other Unsecured funding	16.182.177	5.804.636	13.426.521	5.803.407
Secured funding			**485**	**-**
Other Cash Outflows	**9.071.742**	**16.537.600**	**9.071.742**	**16.537.600**
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.071.742	16.537.600	9.071.742	16.537.600
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	**95.720.421**	**67.936.019**	**4.786.021**	**3.396.801**
Other irrevocable or conditionally revocable commitments	**73.902.568**	**16.619.971**	**5.624.618**	**1.125.834**
Total Cash Outflows			**76.478.559**	**53.546.968**
Cash Inflows				
Secured Lending Transactions	-	-	330	-
Unsecured Lending Transactions	29.409.456	13.804.088	21.351.503	12.485.019
Other Contractual Cash Inflows	1.737.760	18.247.273	1.737.760	18.247.273
Total Cash Inflows	**31.147.216**	**32.051.361**	**23.089.593**	**30.732.292**
			Capped Amounts	
Total High Quality Liquid Assets			**72.392.428**	**44.593.256**
Total Net Cash Outflows			**53.388.966**	**22.814.676**
Liquidity Coverage Ratio (%)			**135,59**	**195,46**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Prior Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	December 21, 2018	October 5, 2018	October 12,2018	December 21,2018
Ratio(%)	159,71	122,64	228,13	148,69

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) andbalances with the Central Bank of the Republic of Turkey	27.062.138	14.287.838	-	-	-	-	-	41.349.976
Banks	12.320.588	9.576.848	641.829	-	-	-	-	22.539.265
Financial assets at fair value through profit or loss	4.997	-	162	4.536	13.874	75.296	468.539	567.404
Receivables from money markets	-	10.703.351	-	-	-	-	-	10.703.351
Financial assets at fair value through other comprehensive income	-	485.765	361.500	3.825.147	16.930.438	5.074.837	13.619	26.691.306
Loans [1]	-	31.934.810	22.761.939	56.277.573	90.969.775	20.892.645	951.887	223.788.629
Financial assets measured at amortised cost	-	232.075	619.390	1.376.020	10.801.376	15.276.798	-	28.305.659
Other assets	3.889.059	564.621	718.421	901.569	1.610.098	953.718	24.912.751	33.550.237
Total assets	**43.276.782**	**67.785.308**	**25.103.241**	**62.384.845**	**120.325.561**	**42.273.294**	**26.346.796**	**387.495.827**
Liabilities								
Bank deposits	1.348.857	3.755.966	54.503	2.129	-	-	-	5.161.455
Other deposits	49.000.255	132.915.658	27.816.709	7.809.270	86.160	611	-	217.628.663
Funds borrowed from other financial institutions	-	2.196.049	2.450.113	26.450.637	4.500.390	2.513.353	-	38.110.542
Funds from money market	-	2.936.476	2	759.266	-	-	-	3.695.744
Marketable securities issued	-	2.956.966	2.838.364	1.645.686	13.195.730	66.945	-	20.703.691
Miscellaneous payables	1.331.380	12.461.676	108.417	-	-	-	326.564	14.228.037
Other liabilities [2]	2.578.182	303.965	1.548.567	1.924.245	26.917.561	11.293.201	43.401.974	87.967.695
Total liabilities	**54.258.674**	**157.526.756**	**34.816.675**	**38.591.233**	**44.699.841**	**13.874.110**	**43.728.538**	**387.495.827**
Net liquidity gap	**(10.981.892)**	**(89.741.448)**	**(9.713.434)**	**23.793.612**	**75.625.720**	**28.399.184**	**(17.381.742)**	**-**
Net Off-Balance Sheet Position	**-**	**(167.979)**	**71.764**	**207.735**	**23.259**	**848.308**	**-**	**983.087**
Derivative Financial Assets	-	45.149.409	38.039.998	31.522.469	69.498.938	39.707.893	-	223.918.707
Derivative Financial Liabilities	-	45.317.388	37.968.234	31.314.734	69.475.679	38.859.585	-	222.935.620
Non-Cash Loans	**-**	**2.407.611**	**11.890.301**	**31.273.180**	**15.494.693**	**5.010.047**	**24.038.885**	**90.114.717**
Prior Period								
Total assets	39.262.228	58.235.064	23.639.327	57.105.381	109.220.928	43.582.064	16.998.599	348.043.591
Total liabilities	38.478.411	142.940.821	50.908.751	41.220.273	23.116.127	10.070.939	41.308.269	348.043.591
Liquidity gap	**783.817**	**(84.705.757)**	**(27.269.424)**	**15.885.108**	**86.104.801**	**33.511.125**	**(24.309.670)**	**-**
Net Off-Balance Sheet Position	**-**	**(981.348)**	**244.910**	**111.583**	**(381.692)**	**672.204**	**-**	**(334.343)**
Derivative Financial Assets	-	48.324.941	19.341.213	30.332.176	66.778.737	35.775.386	-	200.552.453
Derivative Financial Liabilities	-	49.306.289	19.096.303	30.220.593	67.160.429	35.103.182	-	200.886.796
Non-Cash Loans	**-**	**3.265.182**	**8.392.810**	**29.287.149**	**13.692.780**	**6.209.335**	**25.427.495**	**86.274.751**

[1] Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.
[2] Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

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

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	187.741.149	28.210.593	8.175.899	97.527	611	224.225.779
Borrowings	2.248.895	2.779.100	27.978.802	7.853.658	5.427.513	46.287.968
Funds from money market	2.942.343	3	763.556	-	-	3.705.902
Subordinated debts	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338
Marketable securities issued (Net)	2.958.567	2.860.418	1.656.234	14.013.214	378.337	21.866.770
Total	**196.189.541**	**34.058.243**	**39.572.021**	**41.474.703**	**10.454.249**	**321.748.757**

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	159.114.829	36.578.806	9.723.659	123.417	-	205.540.711
Borrowings	4.154.759	3.926.742	21.373.612	9.487.187	5.832.770	44.775.070
Funds from money market	330.148	271.521	964.923	-	-	1.566.592
Subordinated debts	-	204.319	622.570	13.598.201	3.189.421	17.614.511
Marketable securities issued (Net)	391.220	1.045.085	2.986.468	10.289.364	2.695.102	17.407.239
Total	**163.990.956**	**42.026.473**	**35.671.232**	**33.498.169**	**11.717.293**	**286.904.123**

[1] Maturities of non-cash loans are described in Note 3 of Section 5.

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

8. Explanations on leverage ratio:

The main reason for increase in leverage ratio for the current period is the increase in Tier 1 capital.

	Current Period[1]	Prior Period[1]
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	377.398.089	348.184.348
(Asset amounts deducted in determining Tier 1 capital)	(3.641.674)	(5.381.813)
Total on-Balance sheet exposures	373.756.415	342.802.535
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	2.000.636	2.590.381
Potential credit risk of derivative financial instruments and credit derivatives	1.786.720	5.020.774
Total derivative financial instruments and credit derivatives exposure	3.787.356	7.611.155
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	448.597	470.170
Agent transaction exposures	-	-
Total securities financing transaction exposures	448.597	470.170
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	204.603.371	194.678.927
(Adjustments for conversion to credit equivalent amounts)	(19.705.782)	(15.539.409)
Total risk of off-balance sheet items	184.897.589	179.139.518
Capital and total exposure		
Tier 1 capital	44.447.710	34.624.399
Total exposures	562.889.957	530.023.378
Leverage ratio (%)	**7,91**	**6,55**

[1] The arithmetic average of the last three months in the related periods.

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

9. Explanations on the presentation of financial assets and liabilities at fair values:

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

	Book Value		Fair value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets	**329.350.825**	**275.161.720**	**343.767.971**	**275.396.199**
Due from money market	10.703.351	116.969	10.703.351	116.969
Banks	22.539.265	1.678.284	22.534.263	1.676.454
Financial assets at fair value through other comprehensive income	26.691.306	26.660.499	26.691.306	26.660.499
Financial assets measured at amortised cost	28.305.659	21.675.166	27.672.853	19.172.951
Loans	241.111.244	225.030.802	256.166.198	227.769.326
Financial Liabilities	**327.597.032**	**292.111.734**	**329.588.486**	**291.550.197**
Bank deposits	5.161.455	9.738.420	5.163.238	9.738.608
Other deposits	217.628.663	192.810.716	217.527.357	192.769.144
Borrowings	38.110.542	37.349.338	37.880.475	36.868.032
Subordinated debts	13.184.605	7.965.404	13.184.605	7.965.404
Marketable securities issued	18.580.039	13.557.153	20.399.518	13.596.916
Miscellaneous payables	20.703.691	16.385.012	21.205.256	16.306.402
Financial Assets	14.228.037	14.305.691	14.228.037	14.305.691

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets where fair value change is reflected to income statement	98.867	269.484	199.053	567.404
Financial assets where fair value change is reflected to other comprehensive income statement	24.633.459	2.044.228	-	26.677.687
Derivative financial assets	-	4.748.427	-	4.748.427
Total assets	**24.732.326**	**7.062.139**	**199.053**	**31.993.518**
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Derivative financial liabilities	-	7.076.433	-	7.076.433
Total liabilities	**-**	**20.261.038**	**-**	**20.261.038**

Prior Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets where fair value change is reflected to income statement	70.909	170.522	-	241.431
Financial assets where fair value change is reflected to other comprehensive income statement	24.818.452	1.831.430	-	26.649.882
Derivative financial assets	-	8.960.120	-	8.960.120
Total assets	**24.889.361**	**10.962.072**	**-**	**35.851.433**
Financial liabilities at fair value through profit or loss	-	7.965.404	-	7.965.404
Derivative financial liabilities	-	7.281.305	-	7.281.305
Total liabilities	**-**	**15.246.709**	**-**	**15.246.709**

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Bank applies the following hedge accounting models: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets at fair value through other comprehensive income" if the fair value is negative, it is classified under " Derivative financial liabilities at fair value through other comprehensive income ".

Interest rate swap and cross currency interest rate swap are used as hedging instrument in FVH and interest rate swap, currency swap and cross currency interest rate swap are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2019 of these hedging instruments are presented in the table below:

	Current Period			**Prior Period**		
	Notional[1]	**Asset**	**Liability**	**Notional[1]**	**Asset**	**Liability**
Hedging instrument						
Interest rate swap / Currency swap / Cross currency interest rate swap (CFH)	49.943.888	297.126	2.891.167	46.404.018	3.169.086	611.406
Interest rate swap / Cross currency interest rate swap (FVH)	1.853.799	1.690	316.376	1.860.610	-	313.994
Total	**51.797.687**	**298.816**	**3.207.543**	**48.264.628**	**3.169.086**	**925.400**

[1] Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 51.195.946 (December 31, 2018 - TL 48.175.851) the total notional of derivative financial assets amounting to TL 102.993.633 (December 31, 2018 - TL 96.440.479) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using interest rate swap, cross-currency interest rate swap. Starting from July 28, 2015, the Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS - 39 Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below:

Current Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[3]
				Asset	Liability	
Interest rate swap / Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	(19.636)

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[3]
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	20.740

[1] The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

[2] The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

[3] The ineffective portion of the mentioned hedging transaction is TL 5.896 gain (December 31, 2018- TL 31.652 gain).

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

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

10.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[1]**	**Net gain/(loss) reclassified to equity[2][3]**
			Asset	**Liability**		
Interest rate swap / Currency swap / Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	(1.462.792)	(3.206.096)

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[1]**	**Net gain/(loss) reclassified to equity[2][3]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	3.169.086	611.406	1.743.304	906.613

[1] Includes deferred tax impact.

[2] Includes tax and foreign exchange differences.

[3] The ineffective portion of the mentioned hedging transaction is TL 422.890 gain (December 31, 2018 - TL 41.508 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS - 39 Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS - 39 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80%-125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 30, 2019 is EUR 452 million (December 31, 2018 is EUR 430 million).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

12. Explanations on operating segments:

The Bank carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking, ME and SME banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, SME Banking Packages, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory.

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

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset - Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	9.655.866	9.891.868	58.571	19.606.305
Operating expenses	(6.669.444)	(5.894.790)	(3.493.375)	(16.057.609)
Net operating income / (expense)	**2.986.422**	**3.997.078**	**(3.434.804)**	**3.548.696**
Dividend income(1)	-	-	9.310	9.310
Income/(loss) from investments accounted based on equity method(1)	-	-	780.930	780.930
Profit before tax	**2.986.422**	**3.997.078**	**(2.644.564)**	**4.338.936**
Tax provision expense(1)			(738.876)	(738.876)
Net period income	**2.986.422**	**3.997.078**	**(3.383.440)**	**3.600.060**
Net profit	**2.986.422**	**3.997.078**	**(3.383.440)**	**3.600.060**
Segment asset	82.232.054	130.014.639	167.422.208	379.668.901
Investments in associates, subsidiaries and joint ventures	-	-	7.826.926	7.826.926
Total assets	**82.232.054**	**130.014.639**	**175.249.134**	**387.495.827**
Segment liabilities	154.441.907	69.577.123	122.289.143	346.308.173
Shareholders' equity	-	-	41.187.654	41.187.654
Total liabilities	**154.441.907**	**69.577.123**	**163.476.797**	**387.495.827**

Prior Period(2)	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	8.141.407	6.573.989	3.806.771	18.522.167
Operating expenses	(5.278.402)	(5.225.362)	(2.944.742)	(13.448.506)
Net operating income / (expense)	**2.863.005**	**1.348.627**	**862.029**	**5.073.661**
Dividend income(1)	-	-	6.326	6.326
Income/(loss) from investments accounted based on equity method(1)	-	-	775.504	775.504
Profit before tax	**2.863.005**	**1.348.627**	**1.643.859**	**5.855.491**
Tax provision expense(1)	-	-	(1.188.065)	(1.188.065)
Net period income	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Net profit	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Segment asset	80.911.357	125.801.320	134.540.954	341.253.631
Investments in associates, subsidiaries and joint ventures	-	-	6.789.960	6.789.960
Total assets	**80.911.357**	**125.801.320**	**141.330.914**	**348.043.591**
Segment liabilities	172.116.780	76.729.909	60.193.403	309.040.092
Shareholders' equity	-	-	39.003.499	39.003.499
Total liabilities	**172.116.780**	**76.729.909**	**99.196.902**	**348.043.591**

(1) Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

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

Section Five

Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey:

1.1.1 Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.488.887	3.019.487	1.443.281	3.340.678
The CBRT[1]	999.602	35.841.927	15.313.011	35.417.868
Other	-	73	-	56
Total	**2.488.489**	**38.861.487**	**16.756.292**	**38.758.602**

[1] The balance of gold amounting to TL 2.092.586 is accounted for under the Central Bank foreign currency account (December 31, 2018 -TL 4.233.215).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount [1]	999.602	21.554.089	8.416.404	21.436.238
Time unrestricted amount	-	-	6.896.607	-
Time restricted amount	-	-	-	-
Reserve requirement[2]	-	14.287.838	-	13.981.630
Total	**999.602**	**35.841.927**	**15.313.011**	**35.417.868**

[1] The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

[2] The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2018 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	443.084	-	941.170	-
Swap transactions	2.891.149	1.060.008	3.904.322	641.773
Futures transactions	563	-	-	-
Options	37.260	17.547	256.107	47.662
Other	-	-	-	-
Total	**3.372.056**	**1.077.555**	**5.101.599**	**689.435**

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

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair value hedges [1]	1.690	-	-	-
Cash flow hedges [1]	254.687	42.439	2.869.353	299.733
Hedges for investments made in foreign countries	-	-	-	-
Total	**256.377**	**42.439**	**2.869.353**	**299.733**

[1] Explained in Note 8 of section 4.

1.4. Information on banks:

1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	3.296.213	267.549	13.311	-
Foreign	250	18.975.253	5.986	1.658.987
Head quarters and branches abroad	-	-	-	-
Total	**3.296.463**	**19.242.802**	**19.297**	**1.658.987**

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU countries	4.976.821	814.260	-	-
USA, Canada	12.208.824	572.018	365.275	242.192
OECD countries [1]	1.392.918	18.444	-	-
Off-shore banking regions	497	196	-	-
Other	31.168	17.863	-	-
Total	**18.610.228**	**1.422.781**	**365.275**	**242.192**

[1] OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receiveables:

As of December 31, 2019 a total of 10.703.351 TL reverse repo transactions with domestic banks are included in the money market receivables (31 December 2018 - None).

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2019 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.540.466 (31 December 2018 - TL 1.292.400), subject to repo transactions amounts to TL 3.069.033 (31 December 2018 - TL 959.438).

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

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

	Current Period	Prior Period
	TP	TP
Debt securities	26.819.853	27.758.411
Quoted on stock exchange[(1)]	26.522.842	27.495.268
Not quoted	297.011	263.143
Share certificates	58.937	55.935
Quoted on stock exchange	-	-
Not quoted	58.937	55.935
Impairment provision (-)[(2)]	187.484	1.153.847
Total	**26.691.306**	**26.660.499**

(1) As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result, government bonds with an amount of TL 1.998.350 has been classified from financials assets at fair value through other comprhensive income to financial assets measured at amortised cost.

(2) Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

1.7. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	**-**	**-**	**-**	**-**
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**35.013**	**1.199.169**	**90.240**	**1.351.956**
Loans granted to employees	**218.897**	**198**	**170.708**	**52**
Total	**253.910**	**1.199.367**	**260.948**	**1.352.008**

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

		Loans under close monitoring		
			Loans under restructuring	
Cash Loans	**Standard loans**	**Not under the scope of restructuring**	**Modifications on agreement conditions**	**Refinancing**
Non-specialized loans	**185.884.289**	**15.128.459**	**2.244.967**	**18.931.626**
Loans given to enterprises	84.480.996	11.993.262	2.009.380	10.226.781
Export loans	9.024.573	501.480	133.662	5.133.336
Import loans	-	-	-	-
Loans given to financial sector	5.219.185	-	-	-
Consumer loans	34.658.164	943.712	-	1.307.886
Credit cards	27.731.273	719.040	-	678.254
Other[(1)]	24.770.098	970.965	101.925	1.585.369
Specialized loans	**-**	**-**	**-**	**-**
Other receivables	**647.401**	**-**	**-**	**-**
Total	**186.531.690**	**15.128.459**	**2.244.967**	**18.931.626**

(1) Fair value differences of the hedged item amounting to TL 5.101 income are classified in other loans as explained in Note 8, Section 4.

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

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.067.470	-
Significant increase in credit risk	-	4.841.241
Total	**1.067.470**	**4.841.241**

1.7.3. Loans according to their maturity structure:

		Loans under close monitoring	
	Standard loans	Not under the scope of restructuring	Agreement conditions modified
Short-term loans	62.772.948	3.167.345	406.174
Medium and long-term loans	123.758.742	11.961.114	20.770.419
Total	**186.531.690**	**15.128.459**	**21.176.593**

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	124.142.253	34.658.164	27.731.273	186.531.690
Watch list	32.656.160	2.251.598	1.397.294	36.305.052
Loans under legal follow-up	15.567.196	1.466.873	1.240.433	18.274.502
Specific provisions (-)	9.253.191	1.108.438	1.052.275	11.413.904
Total	**163.112.418**	**37.268.197**	**29.316.725**	**229.697.340**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	123.287.084	30.591.808	26.266.314	180.145.206
Watch list	28.889.406	1.939.454	1.676.879	32.505.739
Loans under legal follow-up	9.963.706	1.273.958	1.142.193	12.379.857
Specific provisions (-)	7.444.315	824.294	585.693	8.854.302
Total	**154.695.881**	**32.980.926**	**28.499.693**	**216.176.500**

1.7.4.2. Specific provisions provided against loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Opening balance	**7.444.315**	**824.294**	**585.693**	**8.854.302**
Impairment	5.389.385	1.008.153	1.012.776	7.410.314
Collections (-)	917.146	337.054	184.367	1.438.567
Write-off (-)	2.663.363	386.955	361.827	3.412.145
Total	**9.253.191**	**1.108.438**	**1.052.275**	**11.413.904**

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

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
December 1, 2017 closing balance	**4.322.326**	**1.433.027**	**1.191.177**	**6.946.530**
IFRS 9 remeasurement	813.911	71.593	23.546	909.050
Opening balance	**5.136.237**	**1.504.620**	**1.214.723**	**7.855.580**
Impairment	4.814.987	1.044.121	510.506	6.369.614
Collections (-)	1.516.799	812.876	535.385	2.865.060
Write-off (-)	990.110	911.571	604.151	2.505.832
Total	**7.444.315**	**824.294**	**585.693**	**8.854.302**

1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	16.815.858	419.553	-	17.235.411
Loans under legal follow-up	5.475.758	92.439	-	5.568.197
Total	**22.291.616**	**511.992**	**-**	**22.803.608**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	18.438.885	295.741	-	18.734.626
Loans under legal follow-up	3.953.041	66.320	-	4.019.361
Total	**22.391.926**	**362.061**	**-**	**22.753.987**

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

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	**747.158**	**34.076.431**	**34.823.589**
Real estate loans	6.250	10.462.445	10.468.695
Automotive loans	22.324	599.614	621.938
Consumer loans	718.584	23.014.372	23.732.956
Consumer loans-FC indexed	**-**	**16.389**	**16.389**
Real estate loans	-	16.389	16.389
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	**20.136.709**	**648.539**	**20.785.248**
With installments	10.205.703	180.583	10.386.286
Without installments	9.931.006	467.956	10.398.962
Individual credit cards-FC	**28.401**	**-**	**28.401**
With installments	-	-	-
Without installments	28.401	-	28.401
Personnel loans-TL	**13.803**	**80.254**	**94.057**
Real estate loans	-	1.781	1.781
Automotive loans	90	201	291
Consumer loans	13.713	78.272	91.985
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	**120.400**	**352**	**120.752**
With installments	55.194	250	55.444
Without installments	65.206	102	65.308
Personnel credit cards-FC	**514**	**-**	**514**
With installments	-	-	-
Without installments	514	-	514
Credit deposit account-TL (real person)[1]	**1.975.727**	**-**	**1.975.727**
Total	**23.022.712**	**34.821.965**	**57.844.677**

[1] TL 3.574 of the credit deposit account belongs to the loans used by personnel.

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

1.7.6. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	**609.710**	**17.381.837**	**17.991.547**
Business loans	473	1.153.478	1.153.951
Automotive loans	49.115	705.539	754.654
Consumer loans	560.122	15.522.820	16.082.942
Commercial installments loans-FC indexed	**-**	**47.147**	**47.147**
Business loans	-	3.657	3.657
Automotive loans	-	11.461	11.461
Consumer loans	-	32.029	32.029
Corporate credit cards-TL	**8.126.301**	**66.014**	**8.192.315**
With installment	5.454.526	53.099	5.507.625
Without installment	2.671.775	12.915	2.684.690
Corporate credit cards-FC	**1.337**	**-**	**1.337**
With installment	-	-	-
Without installment	1.337	-	1.337
Credit deposit account-TL (legal person)	**984.007**	**-**	**984.007**
Total	**9.721.355**	**17.494.998**	**27.216.353**

1.7.7. Distribution of by users:

	Current Period	Prior Period
Public	2.891.413	1.959.146
Private	219.945.329	210.691.799
Total	**222.836.742**	**212.650.945**

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	220.045.472	209.869.373
Foreign loans	2.791.270	2.781.572
Total	**222.836.742**	**212.650.945**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	288.721	501.490
Indirect loans granted to associates and subsidiaries	-	-
Total	**288.721**	**501.490**

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

1.7.10. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans with limited collectibility	1.802.062	1.131.764
Loans with doubtful collectibility	1.987.691	1.680.918
Uncollectible loans	7.624.151	6.041.620
Total	**11.413.904**	**8.854.302**

1.7.11. Information on non-performing loans (net):

1.7.11.1 Information on restructured loans from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Gross amounts before specific reserves	**187.399**	**238.221**	**925.306**
Restructured loans	187.399	238.221	925.306
Prior Period			
Gross amounts before specific reserves	**57.548**	**109.283**	**70.668**
Restructured loans	57.548	109.283	70.668

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period	**2.744.681**	**2.670.841**	**6.964.335**
Additions (+)	8.654.438	1.073.298	1.341.598
Transfers from other categories of non-performing loans (+)	-	7.490.936	6.845.619
Transfer to other categories of non-performing loans (-)	7.490.936	6.845.619	-
Collections (-)	438.895	633.905	689.744
Write-offs (-)	-	-	843.413
Sold (-)	-	-	2.568.732
Corporate and commercial loans	-	-	1.819.950
Consumer loans	-	-	386.955
Credit cards	-	-	361.827
Other	-	-	-
Current Period	**3.469.288**	**3.755.551**	**11.049.663**
Specific provision (-)	1.802.062	1.987.691	7.624.151
Net balance on balance sheet	**1.667.226**	**1.767.860**	**3.425.512**

As of December 31, 2019, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Group has written off corporate and commercial loans amounting to TL 817.316 that are classified under Group 5, more than 540 days overdue and after collaterals deducted 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 7,89% to 7,58%.

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

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 2.568.732 to a selection of asset management companies for a total amount of TL 91.926.

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period			
Period end balance	1.957.788	1.877.846	4.060.849
Specific provision (-)	1.029.665	759.643	2.260.353
Net balance on-balance sheet	**928.123**	**1.118.203**	**1.800.496**
Prior Period			
Period end balance	1.303.707	1.299.579	737.008
Specific provision (-)	424.975	792.813	701.084
Net balance on-balance sheet	**878.732**	**506.766**	**35.924**

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period (net)	**1.667.226**	**1.767.860**	**3.425.512**
Loans granted to real persons and corporate entities (gross)	3.469.288	3.755.551	10.936.580
Provision amount (-)	1.802.062	1.987.691	7.511.068
Loans granted to real persons and corporate entities (net)	1.667.226	1.767.860	3.425.512
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	**1.612.916**	**989.923**	**922.716**
Loans granted to real persons and corporate entities (gross)	2.744.680	2.670.841	6.851.165
Specific provision amount (-)	1.131.764	1.680.918	5.928.449
Loans granted to real persons and corporate entities (Net)	1.612.916	989.923	922.716
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

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

1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (net)	**77.251**	**72.178**	**133.953**
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount (-)	189.743	172.919	555.940
Prior Period (net)	**63.343**	**54.249**	**9.997**
Interest accruals and rediscounts and valuation differences	226.817	261.143	92.601
Provision amount (-)	163.474	206.894	82.604

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Bank, in line with TFRS 9, may write off part of the loans for which the Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due the to default of debtor, starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Bank's right to receive.

1.8. Information on financial assets at amortized cost:

1.8.1 Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2019 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 13.856.497 (31 December 2018 -TL 9.329.007).Subject to repo transactions amounting to TL 1.128.350 (31 December 2018 -TL 747.761).

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

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current period	Prior period
Government bond	27.974.855	21.675.166
Treasury bill	-	-
Other public sector debt securities	330.804	-
Total	**28.305.659**	**21.675.166**

1.8.3. Information on financial assets measured at amortized cost:

	Current period	Prior period
Debt securities	29.180.120	22.316.207
Quoted on stock exchange	29.180.120	22.316.207
Not quoted	-	-
Impairment provision (-)[1]	874.461	641.041
Total	**28.305.659**	**21.675.166**

[1] Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current period	Prior period
Beginning balance	**21.675.166**	**13.030.911**
Foreign currency differences on monetary assets[1]	2.204.788	4.513.802
Purchases during the year	4.807.224	3.674.945
Transfers[2]	-	1.998.350
Disposals through sales and redemptions	148.099	1.279.600
Impairment provision (-)[3]	233.420	263.242
Period end balance	**28.305.659**	**21.675.166**

[1] Also includes the changes in the interest income accruals.

[2] As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been classified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost" in the prior period.

[3] Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
1.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu[1]	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.[1]	Istanbul/Turkey	9,98	9,98

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

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior periodprofit/loss	Fair value
1.	20.073.873	3.266.221	23.116	482.897	59.079	180.015	153.142	-
2.	348.965	224.008	234.334	8.774	-	26.579	34.818	-
3.	147.868	93.468	65.949	3.852	-	28.503	15.603	-

(1) Financial statement information disclosed above shows September 30, 2019 results.

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**790.241**	**533.887**
Movements during the period	**118.117**	**256.354**
Purchases	-	-
Free shares obtained profit from current year's share	-	1.598
Profit from current year's income	19.070	65.057
Sales(-)	-	-
Revaluation (decrease) / increase[1]	114.699	201.521
Impairment provision (-)[2]	15.652	11.822
Balance at the end of the period	**908.358**	**790.241**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes the differences in the other comprehensive income related with the equity method accounting.
(2) Includes dividend income received in the current period.

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	902.257	784.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total	**902.257**	**784.140**

1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2018 - None).

1.10. Information on shareholders' equity of the significant subsidiaries (net):

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

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

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital					
Share premium	-	-	-	-	-
Other capital reserves	95.737	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	52.830	(1.717)	2.154	(1.066)	-
Other accumulated comprehensive income that will be classified in profit or loss	25	-	-	-	1.547.201
Legal reserves	62.493	8.034	79.305	27.469	-
Extraordinary reserves	166.189	137.940	659.399	-	789.856
Other profit Reserves	-	-	-	-	-
Income or Loss	42.799	212.279	1.637.702	46.972	133.933
Current Year Income/Loss	112.745	110.521	361.715	46.972	133.933
Prior Years' Income/Loss	(69.946)	101.758	1.275.987	-	-
Leasehold improvements (-)	180	214	-	227	253
Intangible assets (-)	28.974	3.585	11.545	526	3.272
Total core capital	**489.837**	**413.451**	**2.539.839**	**80.264**	**2.579.907**
Supplementary capital	**25.701**	**43**	**1.322**	**-**	**9.720**
Capital	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**

The above information is based on the consolidated financial statements of the Bank as of December 31, 2019.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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

1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Nederland	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value	Required equity
1	234.411	234.079	-	-	-	(134)	153	-	-
2	4.253.032	518.991	52.149	181.010	24.137	112.745	100.252	-	-
3	3.400.019	417.250	8.277	418.982	-	110.521	98.223	-	-
4	10.783.161	2.551.384	15.379	938.957	-	361.715	331.168	-	-
5	96.621	81.017	913	12.481	-	46.972	36.014	-	-
6	10.745.614	2.583.432	11.692	570.690	19.381	133.933	155.325	-	-
7	1.561.521	322.354	64.587	79.200	8.784	19.056	11.936	-	-
8	56.327	43.485	4.795	5.322	-	12.156	3.888	-	-
9	48.611	33.427	1.645	1	-	6.326	2.013	-	-
10	16.229	11.961	908	1.464	-	3.796	4.267	-	-

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

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**5.971.254**	**4.800.064**
Movements in period	**917.699**	**1.171.190**
Purchases	-	-
Free shares obtained profit from current years share	335	-
Dividends from current year income	760.710	707.668
Sales(-)(1)	-	-
Revaluation increase/decrease(1)	324.148	511.903
Impairment provision (-)(2)	167.494	48.381
Balance at the end of the period	**6.888.953**	**5.971.254**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income of consolidated subsidiaries and the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense in the prior period.
(2) Includes dividend income received in the current period.

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

Financial subsidiaries	Current Period	Prior Period
Banks	2.058.889	1.755.210
Insurance companies	-	-
Factoring companies	417.051	306.915
Leasing companies	2.551.230	2.185.240
Finance companies	-	-
Other financial subsidiaries	1.861.783	1.723.889
Total	**6.888.953**	**5.971.254**

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2018 - None).

1.11. Information on joint ventures (net):

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to "TAS - 27 Individual Financial Statements".

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.470	82.317	36.962	60.508	8.393	55.780	51.626
Total			**97.470**	**82.317**	**36.962**	**60.508**	**8.393**	**55.780**	**51.626**

1.12. Information on lease receivables (net):

None (December 31, 2018 - None).

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

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets [1]	Other tangible fixed assets	Total
Prior Period						
Cost	3.534.757	233.383	2.640	-	1.393.485	5.164.265
Accumulated depreciation (-)	918.383	231.432	2.385	-	741.854	1.894.054
Net book value	**2.616.374**	**1.951**	**255**	**-**	**651.631**	**3.270.211**
Current Period						
Net book value at beginning of the period	**2.616.374**	**1.951**	**255**	**-**	**651.631**	**3.270.211**
TFRS 16 opening balance	-	-	-	801.061	-	801.061
Additions[1]	13.812	-	-	496.166	297.582	807.560
Disposals (-), net	6.516	22	-	132.817	1.338	140.693
Reversal of impairment	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
Depreciation (-)	25.746	342	117	266.144	164.464	456.813
Net book value at end of the period	**2.597.924**	**1.587**	**138**	**898.266**	**783.411**	**4.281.326**
Cost at the end of the period	3.514.635	205.691	2.639	1.112.265	1.588.440	6.423.670
Accumulated depreciation at the period end (-)	916.711	204.104	2.501	213.999	805.029	2.142.344
Current Period	**2.597.924**	**1.587**	**138**	**898.266**	**783.411**	**18.931.626**

[1] Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2019, the Bank had total provision for impairment amounting to TL 207.255 (December 31, 2018 - TL 207.255) for the property and equipment.

1.14. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	**1.749.439**	**1.626.850**
Additions during the period	236.330	224.229
Unused and disposed items (-)	7	-
Impairment reversal	-	-
Amortization expenses (-)	140.661	101.640
Balance at the end of the period	**1.845.101**	**1.749.439**

1.15. Information on investment property:

None (December 31, 2018 - None).

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

1.16. Information on deferred tax asset:

	Current Period		Prior Period	
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Temporary differences	753.110	165.684	658.112	144.785
Pension fund provision	1.178.063	259.174	921.350	202.697
Derivative financial assets	1.973.180	434.099	-	-
Valuation difference of securities portfolio	205.288	45.163	2.224.089	489.300
Subsidiaries, investment in associates and share certificates	131.456	28.921	122.117	26.866
Expected credit loss	6.384.341	1.404.555	5.177.891	1.139.136
Other	1.927.238	423.994	902.021	198.445
Total deferred tax asset	**12.552.676**	**2.761.590**	**10.005.580**	**2.201.229**
Derivative financial liabilities	-	-	1.678.815	363.904
Valuation difference of securities portfolio	747.296	164.406	3.672.248	807.895
Property, equipment and intangibles, net	2.779.475	363.579	2.419.986	291.457
Other	1.149.885	252.976	666.639	168.338
Total deferred tax liability	**4.676.656**	**780.961**	**8.437.688**	**1.631.594**
Deferred tax asset / (liability), net	**7.876.020**	**1.980.629**	**1.567.892**	**569.635**

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 1.980.629 is presented in the financial statements (December 31,2018 - TL 569.635 deferred tax assets).

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	**Prior Period**
Net book value at the beginning of the period	**288.349**	**202.019**
Additions	214.920	158.125
Disposals (-), net	184.199	73.067
Impairment provision reversal	989	1.450
Depreciation (-)	-	178
Net book value at the end of the period	**320.059**	**288.349**
Cost at the end of the period	326.814	297.286
Accumulated depreciation at the end of the period (-)	6.755	8.937
Net book value at the end of the period	**320.059**	**288.349**

As of December 31, 2019, the Bank booked impairment provision on assets held for resale with an amount of TL 3.700 (December 31, 2018 - TL 4.689).

1.18. Information on other assets:

As of December 31, 2019, other assets do not exceed 10% of the total assets.

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

2. Explanations and notes related to liabilities

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	10.543.930	18.796.392	31.451.383	1.073.202	808.902	689.985	1.110	63.364.904
Foreign currency deposits	25.958.802	12.031.755	64.746.566	2.958.957	3.227.974	5.479.798	-	114.403.852
Residents in Turkey	25.549.840	11.809.616	63.369.729	2.909.309	1.648.453	848.199	-	106.135.146
Residents abroad	408.962	222.139	1.376.837	49.648	1.579.521	4.631.599	-	8.268.706
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.684.777	11.184.504	12.238.066	329.005	584.804	92.787	-	33.113.943
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.882	571.548	95.928	250.328	65.531	-	3.552.628
Bank deposits	1.348.857	2.614.483	854.082	286.875	57.158	-	-	5.161.455
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.262	2.536.377	596.437	286.875	57.158	-	-	3.484.109
Foreign banks	418.089	78.106	257.645	-	-	-	-	753.840
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
Total	**50.349.112**	**45.035.374**	**110.521.921**	**5.147.239**	**5.358.085**	**6.377.277**	**1.110**	**222.790.118**

Prior Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.649.057	2.153.027	36.821.970	8.311.604	1.331.365	876.982	1.160	56.145.165
Foreign currency deposits	17.568.022	13.309.754	62.901.225	4.222.963	3.845.164	2.227.949	-	104.075.077
Residents in Turkey	17.226.979	13.073.148	61.680.447	3.966.514	2.364.955	749.558	-	99.061.601
Residents abroad	341.043	236.606	1.220.778	256.449	1.480.209	1.478.391	-	5.013.476
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.893.629	7.624.866	10.393.073	1.784.661	993.821	62.283	-	26.752.333
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.085.962	7.299.519	1.140.210	180.263	28.292	4.174	-	9.738.420
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.727	4.413.187	482.462	180.263	28.292	4.174	-	5.122.105
Foreign banks	298.845	16.870	657.748	-	-	-	-	973.463
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**33.668.362**	**30.643.874**	**112.929.608**	**14.777.577**	**7.278.209**	**3.250.346**	**1.160**	**202.549.136**

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

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
Saving deposits	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Saving deposits	34.874.683	26.735.693	28.484.119	29.409.467
Foreign currency saving deposits	15.109.791	8.820.032	44.024.178	35.161.445
Other deposits in the form of saving deposits	1.642.752	807.367	1.544.417	822.760
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	10.094	9.744
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	485.958	284.591
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward transactions	102.780	-	143.108	-
Swap transactions	2.514.699	1.204.516	5.140.123	774.199
Futures transactions	-	-	-	-
Options	29.672	17.223	248.837	49.638
Other	-	-	-	-
Total	**2.647.151**	**1.221.739**	**5.532.068**	**823.837**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair value hedges (1)	316.376	-	313.994	-
Cash flow hedges (1)	2.579.191	311.976	542.895	68.511
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.895.567**	**311.976**	**856.889**	**68.511**

(1) Explained in Note 10 of section 4.

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

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	463.632	284.559	261.574	228.605
From foreign banks, institutions and funds	11.503	37.350.848	10.117	36.849.042
Total	**475.135**	**37.635.407**	**271.691**	**37.077.647**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term	475.135	7.743.474	271.691	8.065.386
Medium and long-term	-	29.891.933	-	29.012.261
Total	**475.135**	**37.635.407**	**271.691**	**37.077.647**

2.3.3. Information on securitization borrowings:

2.3.3.1. The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From foreign banks	-	-	-	-
From foreign institutions	-	16.099.987	-	11.470.206
From foreign funds	-	-	-	-
Total	**-**	**16.099.987**	**-**	**11.470.206**

2.3.3.2. Information on financial liabilities at fair value through profit or loss:

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2019, the total amount of financial liabilities classified as fair value through profit/loss is TL 13.184.605 (December 31, 2018 -TL 7.965.404) with an accrued interest income of TL 245.152 (December 31, 2018 **-** TL 413.597 income) and with a fair value difference of TL 146.197 recognized in the expense statement as an income (December 31, 2018 - TL 566.340 income). On the other hand, the nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2019 are TL 13.132.747 (December 31, 2018 **-** TL 8.115.956) for buy legs and sell legs with a fair value differences amounting to TL 236.129 liability (December 31, 2018 **-** TL 346.698 liability). The mentioned total return swaps have 8 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bonds	4.270.096	-	1.373.498	-
Bills[1]	1.642.095	14.791.500	1.305.384	13.706.130
Total	**5.912.191**	**14.791.500**	**2.678.882**	**13.706.130**

[1] Including mortgage backed securities amounting to TL 2.023.673 as of December 31, 2019 (December 31, 2018 - 1.218.736 TL).

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

2.4. Information on other liabilities:

As of December 31, 2019, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period[1]		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	322.459	192.089	90	85
Between 1 - 4 years	667.427	397.632	138	134
More than 4 years	519.361	309.384	-	-
Total	**1.509.247**	**899.105**	**228**	**219**

[1] The Bank has adopted TFRS 16 standard as of January 1, 2019. As an opening balance, TL 801.061 is recognised as "lease payables".

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

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

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

	Current Period	Prior Period
Discount rate (%)	4,67	5,65
Possibility of being eligible for retirement (%)	94,85	94,45

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.730,15 effective from January 1, 2020 (January 1, 2019 - full TL 6.017,60) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**450.207**	**391.760**
Changes during the period	78.663	61.985
Recognized in equity	66.003	51.323
Paid during the period	(74.490)	(54.861)
Balance at the end of the period	**520.383**	**450.207**

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 232.727 as of December 31, 2019 (December 31, 2018 - TL 207.905).

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2019, there is provision amounting TL 1 provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2018 - TL 435). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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

2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.178.063	921.350
Provisions on unindemnified non cash loans	772.000	762.204
Generic provisions on non cash loans	154.819	103.165
Provision on lawsuits	84.826	79.009
Provisions on credit cards and promotion campaigns related to banking services	59.768	53.726
Other	617.595	730.091
Total	**2.867.071**	**2.649.545**

Pension fund provision:

The Bank provided provision amounting to TL 1.178.063 (December 31, 2018 - TL 921.350) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	256.713	230.498

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	3.592.934	2.871.022
- Pension benefits transferable to SSI	3.763.200	3.003.344
- Post employment medical benefits transferable to SSI	(170.266)	(132.322)
Fair value of plan assets	(2.414.871)	(1.949.672)
Provision for the actuarial deficit of the pension fund	**1.178.063**	**921.350**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.110.210	46	871.760	45
Government bonds and treasury bills	881.688	37	654.202	34
Premises and equipment	300.254	12	261.345	13
Other	122.719	5	162.365	8
Total	**2.414.871**	**100**	**1.949.672**	**100**

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

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	273.354	653.788
Taxation of Marketable Securities	189.641	162.568
Property Tax	3.832	3.290
Banking Insurance Transaction Tax ("BITT")	217.744	161.020
Foreign Exchange Transaction Tax	6.999	-
Value Added Tax Payable	15.991	13.797
Other	71.345	50.678
Total	**778.906**	**1.045.141**

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	-	-
Social security premiums - employer	-	-
Bank pension fund premiums - employee	23.031	20.558
Bank pension fund premiums - employer	31.892	21.210
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.645	1.467
Unemployment insurance - employer	3.291	2.935
Other	-	-
Total	**59.859**	**46.170**

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2019 - None).

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

2.9. Information on subordinated debt[1]:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**YP**
Debt instruments to be included in additional capital calculation	**-**	**4.098.336**	**-**	**-**
Subordinated loans	-	-	-	-
Subordinated debt[2]	-	4.098.336	-	-
Debt instruments to be included in contribution capital calculation	**821.340**	**13.660.363**	**-**	**13.557.153**
Subordinated loans[3]	-	5.102.941	-	5.574.724
Subordinated debt[4] [5]	821.340	8.557.422	-	7.982.429
Total	**821.340**	**17.758.699**	**-**	**13.557.153**

[1] Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.

[2] On January 15, 2019, the Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.

[3] On January 16, 2019, the Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

[4] On July 3, 2019, the Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 500 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.

[5] On October 3, 2019, the Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 300 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None.(31 December 2018 - 4.100.000 TL.)

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

2.10.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2018 - None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2018 - None).

2.10.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock:

None (December 31, 2018 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From investments in associates, subsidiaries, and joint ventures	**754.765**	**2.929.470**	**741.942**	**2.503.109**
Revaluation difference[1]	754.765	436.694	741.942	435.592
Foreign currency difference[1]	-	2.492.776	-	2.067.517
Financial assets at fair value through other comprehensive income	**(119.249)**	**(27.693)**	**(1.486.592)**	**(261.418)**
Revaluation difference [2]	(119.249)	(27.693)	(1.486.592)	(261.418)
Foreign currency differences	**-**		-	
Total	**635.516**	**2.901.777**	**(744.650)**	**2.241.691**

[1] Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.
[2] Includes tax effect related to foreign currency valuation differences in TL column.

3. Explanations and notes related to off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	41.380.895	35.189.895
Loan granting commitments	13.669.165	12.360.621
Commitments for cheques	3.389.714	2.990.824
Other irrevocable commitments	14.876.247	15.267.507
Total	**73.316.021**	**65.808.847**

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

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 154.819 (December 31, 2018 - TL 103.165) and specific provision amounting to TL 1.175.798 (December 31, 2018 - TL 1.079.128) for non-cash loans which are not indemnified yet amounting to TL 772.000 (December 31, 2018 - 762.204).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	156.431	200.915
Letter of credits	12.343.860	10.716.784
Other guarantees and collaterals	7.912.920	7.923.230
Total	**20.413.211**	**18.840.929**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.311.813	1.300.681
Definite letter of guarantees	41.605.115	40.096.087
Advance letter of guarantees	10.342.946	11.055.173
Letter of guarantees given to customs	2.945.128	2.442.000
Other letter of guarantees	13.496.504	12.539.881
Total	**69.701.506**	**67.433.822**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	12.890.158	11.989.428
With original maturity of 1 year or less than 1 year	2.883.023	2.376.215
With original maturity of more than 1 year	10.007.135	9.613.213
Other non-cash loans	77.224.559	74.285.323
Total	**90.114.717**	**86.274.751**

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

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**423.082**	**1,57**	**5.607.706**	**8,90**	**324.600**	**1,23**	**3.467.490**	**5,79**
Farming and raising livestock	280.232	1,04	5.101.009	8,09	231.432	0,88	3.179.968	5,31
Forestry	109.974	0,41	421.242	0,67	81.750	0,31	234.240	0,39
Fishing	32.876	0,12	85.455	0,14	11.418	0,04	53.282	0,09
Manufacturing	**13.465.937**	**49,82**	**31.386.707**	**49,74**	**12.312.519**	**46,61**	**28.997.997**	**48,45**
Mining	73.819	0,27	223.412	0,35	118.106	0,45	683.391	1,14
Production	10.188.987	37,70	25.817.574	40,92	8.694.393	32,91	24.043.041	40,17
Electric, gas and water	3.203.131	11,85	5.345.721	8,47	3.500.020	13,25	4.271.565	7,14
Construction	**5.975.921**	**22,11**	**13.671.278**	**21,67**	**6.420.726**	**24,30**	**13.616.930**	**22,75**
Services	**6.948.714**	**25,71**	**12.397.618**	**19,65**	**7.161.186**	**27,09**	**13.740.132**	**22,96**
Wholesale and retail trade	1.839.803	6,81	1.219.058	1,93	1.475.766	5,58	764.440	1,28
Hotel, food and beverage services	440.898	1,63	1.691.972	2,68	275.597	1,04	1.588.633	2,65
Transportation and telecommunication	786.159	2,91	3.446.468	5,46	624.555	2,36	3.624.958	6,06
Financial institutions	2.403.721	8,89	2.419.989	3,84	3.640.513	13,78	3.203.070	5,35
Real estate and leasing services	248.027	0,92	641.535	1,02	249.299	0,94	345.271	0,58
Self-employment services	-	-	-	-	-	-	-	-
Education services	134.826	0,50	50.924	0,08	44.742	0,17	44.440	0,07
Health and social services	1.095.280	4,05	2.927.672	4,64	850.714	3,22	4.169.320	6,97
Other	**210.112**	**0,79**	**27.642**	**0,04**	**202.755**	**0,77**	**30.416**	**0,05**
Total	**27.023.766**	**100,00**	**63.090.951**	**100,00**	**26.421.786**	**100,00**	**59.852.965**	**100,00**

3.1.3.3. Information on non-cash loans classified in Group I and Group II:

	Group I		Group II	
Current Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.245.978	36.310.029	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	11.899.126	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
Total	**24.362.412**	**55.833.330**	**2.312.307**	**6.430.870**

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

	Group I		Group II	
Prior Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.440.415	39.281.123	1.810.612	822.544
Bank acceptances	-	183.378	-	17.537
Letters of credit	152.733	10.542.158	-	21.893
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	18.026	7.901.706	-	3.498
Total	**24.611.174**	**57.908.365**	**1.810.612**	**865.472**

3.1.3.4. Maturity distribution of non cash loans:

Current Period [(1)]	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	9.338.548	2.791.953	213.359	12.343.860
Letter of guarantee	23.312.489	14.514.762	24.261.562	7.612.693	69.701.506
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	988.338	642.044	5.556.142	7.912.920
Total	**24.038.885**	**24.978.364**	**27.711.020**	**13.386.448**	**90.114.717**

Prior Period [(1)]	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	7.788.001	2.733.290	195.493	10.716.784
Letter of guarantee	24.326.364	11.478.675	24.729.086	6.899.697	67.433.822
Bank acceptances	-	167.613	29.447	3.855	200.915
Other	1.101.131	520.904	636.249	5.664.946	7.923.230
Total	**25.427.495**	**19.955.193**	**28.128.072**	**12.763.991**	**86.274.751**

(1) The distribution is based on the original maturities.

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

3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	197.424.447	192.518.112
FC trading forward transactions	25.736.673	18.847.377
Trading swap transactions	162.874.763	160.203.963
Futures transactions	398.407	-
Trading option transactions	8.414.604	13.466.772
Interest related derivative transactions (II)	118.898.558	87.798.512
Forward interest rate agreements	-	-
Interest rate swaps	115.222.156	83.986.144
Interest rate options	3.676.402	3.812.368
Interest rate futures	-	-
Other trading derivative transactions (III)	27.537.689	24.682.146
A. Total trading derivative transactions (I+II+III)	**343.860.694**	**304.998.770**
Types of hedging derivative transactions		
Transactions for fair value hedge	3.411.980	3.445.976
Cash flow hedges	99.581.653	92.994.503
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**102.993.633**	**96.440.479**
Total derivative transactions (A+B)	**446.854.327**	**401.439.249**

3.3. Information on credit derivatives and risk exposures:

The Bank has no credit default swaps in derivative portfolio for the period ended 31 December 2019.Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2018 - None).

Derivative portfolio includes total return swaps for TL 25.465.494 (31 December 2018 - TL 16.231.912) for the period ended 31 December 2019.

3.4 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 84.826 (December 31, 2018 - TL 79.009) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

3.5 Information on services in the name and account of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans [1]	8.144.431	376.531	7.566.186	317.026
Medium/long-term loans [1]	12.862.885	5.594.255	10.669.327	5.228.154
Interest on loans under follow-up	1.511.679	-	1.187.616	-
Premiums received from resource utilization support fund	-	-	-	-
Total	**22.518.995**	**5.970.786**	**19.423.129**	**5.545.180**

[1] Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	47.252	-	345.015	-
From domestic banks	443.850	7.940	144.231	2.685
From foreign banks	1.699	399.700	2.911	126.875
Headquarters and branches abroad	-	-	-	-
Total	**492.801**	**407.640**	**492.157**	**129.560**

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	Current Period
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	7.894	4.405	9.144	2.042
From financial assets at fair value through other comprehensive income	2.890.569	218.300	4.337.457	181.313
From financial assets measured at amortised cost	1.834.292	440.486	2.115.329	496.176
Total	**4.732.755**	**663.191**	**6.461.930**	**679.531**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	58.234	97.870
Total	**58.234**	**97.870**

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	103.789	2.514.081	39.139	1.803.499
The CBRT	-	-	-	593
Domestic banks	46.911	7.572	15.608	5.647
Foreign banks	56.878	2.506.509	23.531	1.797.259
Headquarters and branches abroad	-	-	-	-
Other institutions	-	745.064	-	454.975
Total [1]	**103.789**	**3.259.145**	**39.139**	**2.258.474**

[1] Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	60.964	272.047
Total	**60.964**	**272.047**

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	807.379	974.911	522.371	867.667
Total	**807.379**	**974.911**	**522.371**	**867.667**

4.2.4. Maturity structure of the interest expense on deposits:

		Time deposit							
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Accumulating deposit**	**Total**	**Prior Period**
TL									
Bank deposits	1.280	112.548	68.984	-	314	1.056	-	184.182	255.505
Saving deposits	-	1.696.941	5.809.021	567.598	193.875	186.221	226	8.453.882	7.093.599
Public sector deposits	-	105	1.434	165	50	3	-	1.757	3.130
Commercial deposits	8	1.742.702	1.561.115	132.909	144.986	14.696	-	3.596.416	3.240.933
Other deposits	-	139.551	490.985	25.555	185.111	23.939	-	865.141	805.408
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**1.288**	**3.691.847**	**7.931.539**	**726.227**	**524.336**	**225.915**	**226**	**13.101.378**	**11.398.575**
FC									
Foreign currency deposits	121	354.375	1.639.518	121.740	106.912	28.815	-	2.251.481	2.861.982
Bank deposits	4.382	18.340	919	-	-	-		23.641	66.306
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	1.804	2.325	416	1.195	545	-	6.285	4.219
Total	**4.503**	**374.519**	**1.642.762**	**122.156**	**108.107**	**29.360**	**-**	**2.281.407**	**2.932.507**
Grand total	**5.791**	**4.066.366**	**9.574.301**	**848.383**	**632.443**	**255.275**	**226**	**15.382.785**	**14.331.082**

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

4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	1.255	910
Financial assets at fair value through other comprehensive income	563	1.214
Other	7.492	4.202
Total	**9.310**	**6.326**

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**82.648.302**	**116.027.524**
Gain from capital market transactions	332.295	175.958
Derivative financial transaction gains	31.980.907	47.499.921
Foreign exchange gains	50.335.100	68.351.645
Loss (-)	**84.533.181**	**116.675.147**
Loss from capital market transactions	60.633	50.197
Derivative financial transaction losses	32.886.294	36.012.871
Foreign exchange loss	51.586.254	80.612.079
Net gain/loss	**(1.884.879)**	**(647.623)**

4.5. Allowance for expected credit losses and other provision expenses:

	Current Period	Prior Period
Allowance for expected credit losses	**8.772.277**	**6.983.607**
12-month expected credit losses (Stage 1)	128.072	175.126
Significant increase in credit risk (Stage 2)	1.078.379	2.335.381
Credit-Impaired (Stage 3)	7.565.826	4.473.100
Impairment provisions for financial assets	**-**	**-**
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	**-**
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	**40.975**	**138.096**
Total	**8.813.252**	**7.121.703**

4.6. Information on derivatives financial transaction gain/loss:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 2.001.899 (December 31, 2018 - TL 12.525.468 gain).

4.7. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

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

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	4.173	11.622
Provision expense for pension fund	256.713	230.498
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	456.813	168.150
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	140.661	101.640
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	178
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.274.172	2.214.986
IFRS 16 exempt lease expenses	63.643	332.149
Repair and maintenance expenses	134.906	127.716
Advertising expenses	122.197	130.029
Other expense	1.953.426	1.625.092
Loss on sales of assets	180	-
Other	962.322	763.259
Total	**4.095.034**	**3.490.333**

4.9. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 14.775.722 (December 31, 2018 - TL 13.942.015) of net interest income, TL 5.286.993 (December 31, 2018 - TL 4.016.348) of net fees and commissions expenses and other operating expense included personnel expenses amounting to TL 7.244.357 (December 31, 2018- TL 6.326.803).

As of December 31, 2019, the Bank has no (December 31, 2018- None) profit before tax from discontinued operations.

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2019, the Bank has TL 1.623.617 (December 31, 2018-TL 791.064) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 884.741 (December 31, 2018- TL 397.001 deferred tax expense).

	Current Period	Prior Period
Profit before tax	4.338.936	5.855.491
Tax calculated at rate of 20%	954.566	1.288.208
Nondeductible expenses, discounts and other, net	(215.690)	(100.143)
Total	**738.876**	**1.188.065**

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.

4.11.2. The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

4.12. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

5. Explanations and notes related to statement of changes in shareholders' equity

5.1 Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2 Information on increase/decrease amounts resulting from merger:

None.

5.3 Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4 Explanations on property and equipment valuation differences:

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2019, revaluation gain under shareholders' equity is amounting to TL 1.858.419 (31 December 2018 - TL 1.845.522).

5.5 Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2019 actuarial loss under shareholders' equity are amounting to TL 269.552 (31 December 2018 - TL 218.070).

5.6 Explanations on joint ventures accounted for using equity method:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively.

5.7 Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.8 Hedging transactions:

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2019 is TL 1.462.792 profit (December 31, 2018 - 1.743.304 profit).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2019 is EUR 452 million. (31 December 2018 is EUR 430 million)The foreign exchange loss of TL 1.158.208 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.(31 December 2018- 943.970 TL loss)

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

5.9 Information on share issue premium:

Other capital and profit reserves,in general, consist of legal reserves and extraordinary reserves.

6. Explanations and notes related to statement of cash flows:

6.1 Information on cash and cash equivalents:

6.1.1 Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2 Effect of a change in the accounting policies:

None.

6.1.3 Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1 Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**35.514.148**	**14.430.478**
Cash and effectives	4.784.014	2.495.919
Demand deposits in banks	30.730.134	11.934.559
Cash equivalents	**7.307.599**	**7.159.223**
Interbank money market	112.773	816.790
Time deposits in banks	7.194.826	6.342.433
Total cash and cash equivalents	**42.821.747**	**21.589.701**

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**39.376.992**	**35.514.148**
Cash and effectives	4.508.447	4.784.014
Demand deposits in banks	34.868.545	30.730.134
Cash equivalents	**20.898.604**	**7.307.599**
Interbank money market	10.700.000	112.773
Time deposits in banks	10.198.604	7.194.826
Total cash and cash equivalents	**60.275.596**	**42.821.747**

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

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

As of 31 December, 2019 the cash and cash equivalents those are not available for use due to legal limitations and other reasons including reserve reqirements is amounting to TL 37.202.727 (December 31, 2018 - TL 44.079.142).

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Increase in "Other Account" amounting to TL 262.068 as of December 31, 2019 (December 31, 2018 - TL 57.562 increase), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 4.078.744 as of December 31, 2019 (December 31, 2018 - TL 19.219 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 4.200.943 as of December 31, 2019 (December 31, 2018 - TL 14.526.803 increase).

7. Explanations and notes related to the Bank's risk group

7.1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [1][2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Balance at the end of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Interest and commission income received	**58.234**	**2.976**	**29.577**	**8.267**	**447.520**	**23.895**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [1][2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Balance at the end of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Interest and commission income received	**97.870**	**2.712**	**25.542**	**8.202**	**447.345**	**24.320**

[1] Defined in subsection 2 of the 49th article of the Banking Act No.5411.
[2] The information in table above includes marketable securities and due from banks as well as loans.

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

7.1.2. Information on deposits of the Bank's risk group:

Bank's risk group [1][2]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	2.798.132	3.193.655	32.464.212	23.274.293	21.548.350	17.865.257
End of the period	756.246	2.798.132	29.776.134	32.464.212	22.505.574	21.548.350
Interest expense on deposits	**60.964**	**272.047**	**2.379.592**	**2.280.419**	**1.357.147**	**1.037.526**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
[2] The information in table above includes borrowings, financial liabilities fair value through profit and loss, marketable securities issued and repo transactions as well as deposits.

7.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Bank's risk group[1]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss						
Beginning of the period[2]	4.977.495	6.825.457	3.330.535	4.585.782	983.564	3.688.054
End of the period [2]	7.110.079	4.977.495	563.016	3.330.535	10.730.513	983.564
Total profit / (loss)	**669.963**	**(56.121)**	**(14.966)**	**(473.269)**	**58.698**	**(592.874)**
Transactions for hedging purposes						
Beginning of the period [2]	-	-	1.456.586	1.375.186	-	-
End of the period [2]	-	-	1.059.016	1.456.586	-	-
Total profit / (loss)	**-**	**-**	**9.016**	**106.586**	**-**	**-**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
[2] The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

7.1.4 Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 76.528 as of December 31, 2019 (December 31, 2018 - TL 57.091).

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

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch	845	16.628			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total asset	Statutory share capital
Foreign Branch	1	3	Bahrain	14.444.728	-
Off-Shore Banking Region Branch			-	-	-

9. Explanations and notes related to subsequent events:

According the Bank's Board of Directors resolution dated January 15, 2020, it has been decided to submit the amendment of the articles regarding the increase of the registered capital ceiling for approval in the first ordinary General Assembly to raise the upper limit of registered capital from TL 10.000.000 to TL 15.000.000 and in order to extend the permit provided for the upper limit of authorized capital from the end of 2020 until the end of 2024 after obtaining the necessary permissions.

Section Six

Other Explanations and Notes

1. Other explanations on the Bank's operations

None.

Section Seven

Explanations on independent audit report

1. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2019 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, February 4, 2020 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

To the General Assembly of Yapı ve Kredi Bankası A.Ş.:

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2019, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the 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 the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans and receivables The Group has total expected credit losses for loans and receivables amounting to TL 18.172.617 thousand in respect to total loans and receivables amounting to TL 262.653.227 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2019. Explanations and notes related to expected credit losses for loans and receivables are presented Section Three Part 7, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying consolidated financial statements as at 31 December 2019. The Group recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective from 1 January 2018 in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of credit identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying consolidated financial statements and default event disclosed in Section Four Part 2 in the accompanying consolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.	With respect to stage classification of loans and receivables and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Group for staging of loans and receivables and calculation of the provision amount. For forward looking assumptions by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans (Continued) The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loans and receivables balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans and receivables. Therefore, this area is considered as key audit matter.	- Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. - We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis - For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations. - We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and testedcollaterals, recovery and costs in addition to arithmetical calculations. - For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. - We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. - We checked accuracy of resultant expected credit losses calculations. - To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. - We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loans and receivables and related impairment provision.

Key Audit Matters	*How the key audit matter was addressed in the audit*
Valuation of Pension Fund obligations The Group has booked provision amounting to TL 1.178.063 for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2019. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying consolidated financial statements. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Group's management uses external actuaries for the purpose of valuations of Pension Fund obligations. During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Group management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, 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.

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

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 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 independent 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM

Partner
Istanbul, 4 February 2020

YAPI VE KREDİ BANKASI A.Ş.
THE CONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDI BANKASI A.Ş. AS OF DECEMBER 31, 2019

Address	:	Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number	:	(0212) 339 70 00
Fax number	:	(0212) 339 60 00
Web site	:	www.yapikredi.com.tr
E-Mail	:	financialreports@yapikredi.com.tr

The consolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

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

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapı Kredi Portföy Yönetimi A.Ş.		
5. Yapı Kredi Holding B.V.		
6. Yapı Kredi Bank Nederland N.V.		
7. Stichting Custody Services YKB		
8. Yapı Kredi Bank Azerbaijan CJSC		
9. Yapı Kredi Bank Malta Ltd.		

Although Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

The accompanying consolidated financial statements for the nine months and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated) have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standardsand related appendices and interpretations of these, and have been independently audited and are presented enclosed.

Y. Ali KOÇ **Chairman of the Board of Directors**	**Gökhan ERÜN** **Executive Director and CEO**	**Massimo FRANCESE** **Chief Financial Officer**
B. Seda İKİZLER **Financial Reporting and Accounting Executive Committee Vice President**	**Wolfgang SCHILK** **Chairman of the Audit Committee**	**Dr. Ahmet ÇİMENOĞLU** **Member of the Audit**

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

Name-Surname / Title	:	Cengiz TİMUROĞLU / Balance Sheet Management and Financial Analysis Manager
Telephone Number	:	0212 339 77 67
Fax Number	:	0212 339 61 05

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

Section One

General Information

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

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established and started operations onSeptember 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987. As of December 31, 2019, almost 18,10% of the shares of the Bank are publicly traded (December 31, 2018, - 18,10%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Parent Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

According to the stament of Koç Holding A.Ş. on the Public Disclosure Platform (KAP) dated November 30,2019, Koç Group and UCG have reached a deal to exchange their shares in the Parent Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, will be transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31,93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Parent Bank shares.

It is expected that the sale transactions will be completed after obtaining necessary permission from legal authorities.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi NV")	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2019 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Niccolò UBERTALLI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Marco IANNACCONE	Executive Director and COO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Carlo VIVALDI	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Ahmet ÇİMENOĞLU	Member
Giovanna VILLA	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Chief Operating Officer:

Name	Responsibility
Marco IANNACCONE	Executive Director and COO

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Albert ANGERSBACH	Risk Management
Arif Özer İSFENDİYAROĞLU	Retail Banking Sales Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Hakan ALP	Human Resources and Organization Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

4. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	6.918.131.285,23	81,90	6.918.131.285,23	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2019, the Parent Bank has 845 branches operating in Turkey and 1 branch in overseas (December 31, 2018 - 853 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2019, the Parent Bank has 16.631 employees (December 31, 2018 - 17.577 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2019 the Group has 17.466 employees (December 31, 2018 - 18.448 employees).

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

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

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

			Current Period (31/12/2019)			Prior Period (31/12/2018)		
	ASSETS	Note (Section five)	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**43.735.439**	**69.827.929**	**113.563.368**	**47.957.841**	**50.343.713**	**98.301.554**
1.1	**Cash and Cash Equivalents**	**1.1**	**17.120.068**	**64.219.910**	**81.339.978**	**17.073.953**	**45.027.781**	**62.101.734**
1.1.1	Cash and Balances with Central Bank		2.488.632	40.997.298	43.485.930	16.756.471	40.074.837	56.831.308
1.1.2	Banks	1.4	3.862.439	23.349.349	27.211.788	237.598	5.032.042	5.269.640
1.1.3	Money Markets	1.4.3	10.803.630	-	10.803.630	105.175	12.056	117.231
1.1.4	Provisions for Expected Losses (-)		34.633	126.737	161.370	25.291	91.154	116.445
1.2	**Financial assets where fair value change is reflected to income statement**	**1.2**	**230.597**	**342.600**	**573.197**	**26.978**	**221.178**	**248.156**
1.2.1	Government debt securities		20.754	73.116	93.870	17.686	50.656	68.342
1.2.2	Share certificates		204.846	269.484	474.330	6.640	170.522	177.162
1.2.3	Other financial assets		4.997	-	4.997	2.652	-	2.652
1.3	**Financial assets where fair value change is reflected to other comprehensive income statement**	**1.5,1.6**	**22.802.626**	**4.097.986**	**26.900.612**	**22.881.613**	**4.002.067**	**26.883.680**
1.3.1	Government debt securities		22.710.089	2.050.829	24.760.918	22.790.241	2.167.987	24.958.228
1.3.2	Share certificates		77.416	2.929	80.345	64.144	2.650	66.794
1.3.3	Other financial assets		15.121	2.044.228	2.059.349	27.228	1.831.430	1.858.658
1.4	**Derivative Financial Assets**	**1.3**	**3.582.148**	**1.167.433**	**4.749.581**	**7.975.297**	**1.092.687**	**9.067.984**
1.4.1	Derivative financial assets where fair value change is reflected to income statement		3.327.461	1.124.994	4.452.455	5.105.944	792.954	5.898.898
1.4.2	Derivative financial assets where fair value change is reflected to other comprehensive income statement		254.687	42.439	297.126	2.869.353	299.733	3.169.086
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)**		**161.098.247**	**112.948.931**	**274.047.178**	**140.831.209**	**116.899.465**	**257.730.674**
2.1	**Loans**	**1.7**	**152.024.450**	**96.025.148**	**248.049.598**	**133.996.637**	**99.138.357**	**233.134.994**
2.2	**Receivables From Leasing Transactions (Net)**	**1.12**	**2.487.469**	**8.008.303**	**10.495.772**	**2.699.972**	**10.075.491**	**12.775.463**
2.3	**Factoring Receivables**		**2.713.491**	**1.394.366**	**4.107.857**	**1.973.574**	**1.615.493**	**3.589.067**
2.4	**Financial Assets Measured at Amortised Cost**	**1.8**	**18.017.793**	**11.590.344**	**29.608.137**	**12.967.307**	**9.838.372**	**22.805.679**
2.4.1	Government debt securities		17.686.989	10.704.522	28.391.511	12.967.307	9.077.343	22.044.650
2.4.2	Other financial assets		330.804	885.822	1.216.626	-	761.029	761.029
2.5	**Provisions for Expected Losses (-)**		**14.144.956**	**4.069.230**	**18.214.186**	**10.806.281**	**3.768.248**	**14.574.529**
III.	**ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**1.17**	**321.890**	**9.445**	**331.335**	**289.796**	**8.674**	**298.470**
3.1	Held for Sale Purposes		321.890	9.445	331.335	289.796	8.674	298.470
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**347.068**	**902.257**	**1.249.325**	**297.293**	**784.140**	**1.081.433**
4.1	**Investments in Associates (net)**	**1.9**	**317.453**	**902.257**	**1.219.710**	**268.828**	**784.140**	**1.052.968**
4.1.1	Consolidated based on Equity Method		311.352	902.257	1.213.609	262.727	784.140	1.046.867
4.1.2	Unconsolidated		6.101	-	6.101	6.101	-	6.101
4.2	**Subsidiaries (Net)**	**1.10**	**7.300**	**-**	**7.300**	**7.300**	**-**	**7.300**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3	**Joint Ventures (Net)**	**1.11**	**22.315**	**-**	**22.315**	**21.165**	**-**	**21.165**
4.3.1	Consolidated based on Equity Method		22.315	-	22.315	21.165	-	21.165
4.3.2	Unconsolidated		-	-	-	-	-	-
V.	**PROPERTY AND EQUIPMENT (Net)**	**1.13**	**4.313.414**	**45.485**	**4.358.899**	**3.293.383**	**18.792**	**3.312.175**
VI.	**INTANGIBLE ASSETS [Net]**	**1.14**	**1.889.731**	**31.093**	**1.920.824**	**1.791.184**	**25.928**	**1.817.112**
6.1	Goodwill		979.493	-	979.493	979.493	-	979.493
6.2	Other		910.238	31.093	941.331	811.691	25.928	837.619
VII.	**INVESTMENT PROPERTY (Net)**	**1.15**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSETS**		**-**	**3.090**	**3.090**	**5.851**	**3.653**	**9.504**
IX.	**DEFERRED TAX ASSETS**	**1.16**	**2.129.358**	**-**	**2.129.358**	**712.891**	**-**	**712.891**
X.	**OTHER ASSETS**	**1.18**	**3.387.621**	**10.204.022**	**13.591.643**	**3.393.959**	**6.718.482**	**10.112.441**
	TOTAL ASSETS		**217.222.768**	**193.972.252**	**411.195.020**	**198.573.407**	**174.802.847**	**373.376.254**

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

YAPI VE KREDİ BANKASI A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

1. Consolidated balance sheet (Statement of Financial Position)

			Current Period (31/12/2019)			Prior Period (31/12/2018)		
	LIABILITIES	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**2.1**	**102.994.590**	**128.077.107**	**231.071.697**	**92.742.975**	**117.548.498**	**210.291.473**
II.	**BORROWINGS**	**2.3.1**	**2.452.375**	**42.921.120**	**45.373.495**	**1.329.596**	**45.742.406**	**47.072.002**
III.	**MONEY MARKETS**		**5.519.024**	**789.864**	**6.308.888**	**2.205.920**	**1.314.293**	**3.520.213**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.3**	**6.740.946**	**18.480.245**	**25.221.191**	**3.900.361**	**17.541.842**	**21.442.203**
4.1	Bills		5.098.851	-	5.098.851	1.373.498	-	1.373.498
4.2	Asset backed Securities		-	3.746.311	3.746.311	-	3.835.712	3.835.712
4.3	Bonds		1.642.095	14.733.934	16.376.029	2.526.863	13.706.130	16.232.993
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS**	**2.3.4**	**830.929**	**12.353.676**	**13.184.605**	**330.910**	**7.634.494**	**7.965.404**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**5.568.959**	**1.536.323**	**7.105.282**	**6.383.398**	**904.351**	**7.287.749**
4.1	Derivative Liabilities at Fair Value Through Profit and Loss		2.989.768	1.224.347	4.214.115	5.840.503	835.840	6.676.343
4.2	Derivative Liabilities at Fair Value Through Other ComprehensiveProfit		2.579.191	311.976	2.891.167	542.895	68.511	611.406
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**2.5**	**897.433**	**29.790**	**927.223**	-	-	-
X.	**PROVISIONS**	**2.6**	**3.441.735**	**300.496**	**3.742.231**	**3.114.494**	**344.691**	**3.459.185**
10.1	Provisions for Restructuring		-	-	-	-	-	-
10.2	Provisions for Employee Rights	2.6.1	778.583	2.509	781.092	680.071	2.197	682.268
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions	2.6.3	2.663.152	297.987	2.961.139	2.434.423	342.494	2.776.917
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**932.503**	**1.336**	**933.839**	**1.121.246**	**1.186**	**1.122.432**
XII.	**DEFERRED TAX LIABILITIES**		-	**8.359**	**8.359**	**2.401**	**8.265**	**10.666**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENTHELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT**	**2.9**	**821.340**	**17.758.699**	**18.580.039**	-	**13.557.153**	**13.557.153**
14.1	Loans		-	5.102.941	5.102.941	-	5.574.724	5.574.724
14.2	Other Facilities		821.340	12.655.758	13.477.098	-	7.982.429	7.982.429
XV.	**OTHER LIABILITIES**	**2.4**	**15.471.432**	**2.075.159**	**17.546.591**	**15.046.590**	**3.593.906**	**18.640.496**
XVI.	**SHAREHOLDERS' EQUITY**	**2.10**	**41.548.897**	**(357.317)**	**41.191.580**	**39.109.703**	**(102.425)**	**39.007.278**
16.1	Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2	Capital Reserves		1.988.296	-	1.988.296	1.985.153	-	1.985.153
16.2.1	Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.431.359	-	1.431.359	1.428.216	-	1.428.216
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1.635.497	7.315	1.642.812	1.661.712	7.315	1.669.027
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(266.191)	(323.225)	(589.416)	871.298	(68.333)	802.965
16.5	Profit Reserves		24.503.543	(41.407)	24.462.136	19.836.498	(41.407)	19.795.091
16.5.1	Legal Reserves		1.102.781	-	1.102.781	869.410	-	869.410
16.5.2	Statutory reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		23.393.329	(41.407)	23.351.922	18.959.274	(41.407)	18.917.867
16.5.4	Other Profit Reserves		7.433	-	7.433	7.814	-	7.814
16.6	Profit or loss		5.240.014	-	5.240.014	6.307.380	-	6.307.380
16.6.1	Prior years' profits or losses		1.639.954	-	1.639.954	1.639.954	-	1.639.954
16.6.2	Current period net profit or loss		3.600.060	-	3.600.060	4.667.426	-	4.667.426
16.7	Minority interest		687	-	687	611	-	611
	TOTAL LIABILITIES		**187.220.163**	**223.974.857**	**411.195.020**	**165.287.594**	**208.088.660**	**373.376.254**

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

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

2. Consolidated off-balance sheet commitments

			Current Period (31/12/2019)			Prior Period (31/12/2018)		
		Note (Section Five)	TL	FC	Total	TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**241.782.716**	**388.539.643**	**630.322.359**	**216.053.385**	**358.751.820**	**574.805.205**
I.	**Guarantees and warranties**	**3.1.2.1**	**26.946.770**	**62.617.711**	**89.564.481**	**26.281.959**	**59.503.230**	**85.785.189**
1.1	Letters of guarantee	3.1.2.2	26.817.178	42.085.180	68.902.358	26.111.200	40.357.031	66.468.231
1.1.1	Guarantees subject to state tender law		367.229	604.813	972.042	562.791	1.240.942	1.803.733
1.1.2	Guarantees given for foreign trade operations		4.017.924	41.279.296	45.297.220	3.768.512	38.962.053	42.730.565
1.1.3	Other letters of guarantee		22.432.025	201.071	22.633.096	21.779.897	154.036	21.933.933
1.2	Bank acceptances		-	156.431	156.431	-	200.915	200.915
1.2.1	Import letter of acceptance		-	156.431	156.431	-	200.915	200.915
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		77.354	12.409.018	12.486.372	152.733	11.040.080	11.192.813
1.3.1	Documentary letters of credit		77.354	12.408.686	12.486.040	152.733	11.039.517	11.192.250
1.3.2	Other letters of credit		-	332	332	-	563	563
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	106.400	106.400	-	-	-
1.8	Other guarantees		52.238	3.781.228	3.833.466	18.026	3.997.024	4.015.050
1.9	Other warranties		-	4.079.454	4.079.454	-	3.908.180	3.908.180
II.	**Commitments**	**3.1.1**	**70.587.105**	**24.614.354**	**95.201.459**	**57.594.918**	**27.612.945**	**85.207.863**
2.1	Irrevocable commitments		65.878.662	7.437.359	73.316.021	56.759.355	9.049.492	65.808.847
2.1.1	Asset purchase and sale commitments		1.494.732	6.254.891	7.749.623	1.969.620	6.371.281	8.340.901
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		12.708.914	960.251	13.669.165	10.167.781	2.192.840	12.360.621
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheques		3.389.714	-	3.389.714	2.990.824	-	2.990.824
2.1.8	Tax and fund liabilities from export commitments		4.074	-	4.074	4.551	-	4.551
2.1.9	Commitments for credit card limits		41.380.895	-	41.380.895	35.189.895	-	35.189.895
2.1.10	Commitments for credit cards and banking services promotions		30.190	-	30.190	27.510	-	27.510
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.870.143	222.217	7.092.360	6.409.174	485.371	6.894.545
2.2	Revocable commitments		4.708.443	17.176.995	21.885.438	835.563	18.563.453	19.399.016
2.2.1	Revocable loan granting commitments		4.708.443	17.069.512	21.777.955	835.563	18.472.473	19.308.036
2.2.2	Other revocable commitments		-	107.483	107.483	-	90.980	90.980
III.	**Derivative financial instruments**		**144.248.841**	**301.307.578**	**445.556.419**	**132.176.508**	**271.635.645**	**403.812.153**
3.1	Derivative financial instruments for hedging purposes		50.023.902	53.444.098	103.468.000	48.681.680	48.579.047	97.260.727
3.1.1	Transactions for fair value hedge		606.305	3.280.042	3.886.347	549.020	3.717.204	4.266.224

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

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

2. Consolidated off-balance sheet commitments

			Current Period (31/12/2019)			**Prior Period (31/12/2018)**		
		Note (Section Five)	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
3.1.2	Transactions for cash flow hedge		49.417.597	50.164.056	99.581.653	48.132.660	44.861.843	92.994.503
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		94.224.939	247.863.480	342.088.419	83.494.828	223.056.598	306.551.426
3.2.1	Forward foreign currency buy/sell transactions		8.093.113	17.786.742	25.879.855	8.163.952	11.115.016	19.278.968
3.2.1.1	Forward foreign currency transactions-buy		3.364.739	9.641.611	13.006.350	3.862.433	6.037.224	9.899.657
3.2.1.2	Forward foreign currency transactions-sell		4.728.374	8.145.131	12.873.505	4.301.519	5.077.792	9.379.311
3.2.2	Swap transactions related to foreign currency and interest rates		80.570.889	195.610.573	276.181.462	69.476.428	175.834.744	245.311.172
3.2.2.1	Foreign currency swap-buy		11.352.683	69.003.550	80.356.233	15.933.191	63.810.780	79.743.971
3.2.2.2	Foreign currency swap-sell		37.468.206	43.134.867	80.603.073	46.261.237	35.319.820	81.581.057
3.2.2.3	Interest rate swap-buy		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.2.4	Interest rate swap-sell		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.3	Foreign currency, interest rate and securities options		3.741.319	8.349.687	12.091.006	5.034.420	12.244.720	17.279.140
3.2.3.1	Foreign currency options-buy		2.043.723	2.136.917	4.180.640	1.735.423	5.022.695	6.758.118
3.2.3.2	Foreign currency options-sell		1.497.596	2.736.368	4.233.964	2.998.997	3.709.657	6.708.654
3.2.3.3	Interest rate options-buy		100.000	2.584.853	2.684.853	150.000	2.325.046	2.475.046
3.2.3.4	Interest rate options-sell		100.000	891.549	991.549	150.000	1.187.322	1.337.322
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		199.618	198.789	398.407	-	-	-
3.2.4.1	Foreign currency futures-buy		199.618	-	199.618	-	-	-
3.2.4.2	Foreign currency futures-sell		-	198.789	198.789	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		1.620.000	25.917.689	27.537.689	820.028	23.862.118	24.682.146
B.	**Custody and pledges received (IV+V+VI)**		**849.240.622**	**763.404.510**	**1.612.645.132**	**681.102.121**	**594.748.523**	**1.275.850.644**
IV.	**Items held in custody**		**427.276.968**	**661.765.075**	**1.089.042.043**	**363.119.243**	**531.619.754**	**894.738.997**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		403.266.572	661.038.762	1.064.305.334	339.110.318	530.965.211	870.075.529
4.3	Checks received for collection		17.179.886	68.572	17.248.458	18.335.720	63.956	18.399.676
4.4	Commercial notes received for collection		6.772.366	568.443	7.340.809	5.615.061	510.019	6.125.080
4.5	Other assets received for collection		-	71.180	71.180	-	64.289	64.289
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	18.118	76.262	58.144	16.279	74.423
4.8	Custodians		-	-	-	-	-	-
V.	**Pledges received**		**395.405.815**	**89.997.642**	**485.403.457**	**298.328.314**	**53.251.826**	**351.580.140**
5.1	Marketable securities		831.183	659	831.842	249.891	583	250.474
5.2	Guarantee notes		720.000	278.319	998.319	1.144.853	317.023	1.461.876
5.3	Commodity		6.946	-	6.946	17.430	-	17.430
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		140.794.432	37.026.755	177.821.187	120.540.545	30.105.856	150.646.401
5.6	Other pledged items		253.053.254	52.681.274	305.734.528	176.375.595	22.818.924	199.194.519
5.7	Pledged items-depository		-	10.635	10.635	-	9.440	9.440
VI.	**Accepted independent guarantees and warranties**		**26.557.839**	**11.641.793**	**38.199.632**	**19.654.564**	**9.876.943**	**29.531.507**
	Total off-balance sheet commitments (A+B)		**1.091.023.338**	**1.151.944.153**	**2.242.967.491**	**897.155.506**	**953.500.343**	**1.850.655.849**

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

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

3. Consolidated income statement

	Income and expense items	Note (Section Five)	Current Period (01/01/2019-31/12/2019)	Prior Period (01/01/2018-31/12/2018)
I.	**INTEREST INCOME**	**4.1**	**37.851.770**	**35.508.387**
1.1	Interest on Loans	4.1.1	29.046.377	25.681.345
1.2	Interest received from reserve deposits		375.844	415.131
1.3	Interest Received from Banks	4.1.2	1.059.517	773.117
1.4	Interest Received from Money Market Transactions		516.515	58.739
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	5.447.042	7.182.346
1.5.1	Financial Assets at Fair Value Through Profit and Loss		12.299	11.186
1.5.2	Financial Assets at Fair Value Through Other Comprehensiveincome		3.134.692	4.535.722
1.5.3	Financial assets measured at amortised cost		2.300.051	2.635.438
1.6	Financial Lease Income		929.016	930.218
1.7	Other Interest Income		477.459	467.491
II.	**INTEREST EXPENSE (-)**	**4.2**	**22.320.754**	**21.011.923**
2.1	Interest on Deposits	4.2.4	15.484.106	14.331.588
2.2	Interest on Funds Borrowed	4.2.1	3.194.571	2.446.396
2.3	Interest expense on money market transactions		664.161	1.506.986
2.4	Interest on Securities Issued	4.2.3	2.730.885	2.174.148
2.5	Interest on Lease Payables		164.792	-
2.6	Other Interest Expense		82.239	552.805
III.	**NET INTEREST INCOME/EXPENSE(I - II)**		**15.531.016**	**14.496.464**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENCE**		**5.528.746**	**4.236.344**
4.1	Fees and Commissions Received		7.367.158	5.630.813
4.1.1	Non-cash Loans		1.070.187	798.094
4.1.2	Other		6.296.971	4.832.719
4.2	Fees and Commissions Paid		1.838.412	1.394.469
4.2.1	Non-cash Loans		30.063	28.293
4.2.2	Other		1.808.349	1.366.176
V.	**DIVIDEND INCOME**	**4.3**	**16.972**	**14.567**
VI.	**TRADING PROFIT/LOSS (Net)**	**4.4**	**(1.434.837)**	**(81.168)**
6.1	Trading Gains/Losses on Securities		279.666	129.989
6.2	Derivative Financial Transactions Gains/Losses	4.5	(407.971)	11.895.305
6.3	Foreign Exchange Gains/Losses		(1.306.532)	(12.106.462)
VII.	**OTHER OPERATING INCOME**	**4.7**	**1.493.314**	**1.255.118**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**21.135.211**	**19.921.325**
IX.	**PROVISION FOR EXPECTED LOSSES (-)**	**4.6**	**8.983.811**	**7.131.834**
X.	**OTHER PROVISION EXPENSES (-)**	**4.6**	**47.914**	**172.432**
XI.	**PERSONNEL EXPENSES (-)**		**3.394.078**	**3.051.597**
XII.	**OTHER OPERATING EXPENSES (-)**	**4.8**	**4.269.580**	**3.633.384**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**4.439.828**	**5.932.078**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**	**-**
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**93.952**	**115.817**
XVI.	**NET MONETARY POSITION GAIN/LOSS)**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)**	**4.9**	**4.533.780**	**6.047.895**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.10**	**933.594**	**1.380.357**
18.1	Current Tax Provision		1.829.227	1.025.376
18.2	Expense effect of deferred tax (+)		-	354.981
18.3	Income effect of deferred tax (-)		895.633	-
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**		**3.600.186**	**4.667.538**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS(XX - XXI)**		**-**	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS(±)**		**-**	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**4.11**	**3.600.186**	**4.667.538**
25.1	Group`s profit/loss		3.600.060	4.667.426
25.2	Minority shares	4.12	126	112
	Earnings/(loss) per share (full TL)		0,0043	0,0073

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

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

4. Consolidated statement of income and expense items accounted under shareholders' equity

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**PROFIT (LOSS)**	**3.600.186**	**4.667.538**
II.	**OTHER COMPREHENSIVE INCOME**	**(1.418.596)**	**287.451**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**(26.215)**	**446.698**
2.1.1.	Gains (losses) on Revaluation of Property, Plant and Equipment	14.291	545.509
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(66.783)	(52.110)
1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified toProfit Or Loss	15.715	2.359
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	10.562	(49.060)
2.2.	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(1.392.381)**	**(159.247)**
2.2.1.	Exchange Differences on Translation	425.259	892.573
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	2.054.824	(1.892.583)
2.2.3.	Income (loss) Related with Cash Flow Hedges	(4.110.380)	1.162.325
2.2.4.	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(274.663)	(618.595)
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6.	Taxes Relating To Components OfOther Comprehensive Income ThatWill Be Reclassified To Profit Or Loss	512.579	297.033
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**2.181.590**	**4.954.989**

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

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

5. Consolidated statement of changes in shareholders' equity

Current Period (31/12/2019)

					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
Changes in shareholder's equity	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	**1**	**2**	**3**
I. Balance at the beginning of the period	**8.447.051**	**556.937**	**-**	**1.428.216**	**1.866.531**	**(225.129)**	**27.625**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-
III. New balance (I+II)	**8.447.051**	**556.937**	**-**	**1.428.216**	**1.866.531**	**(225.129)**	**27.625**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**12.897**	**(52.090)**	**12.978**
V. Capital increase in cash	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**3.143**	**-**	**-**	**-**
XI. Profit distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**
11.1. Dividends distributed	**-**	**-**	-	-	**-**	**-**	**-**
11.2. Transfers to legal reserves	**-**	**-**	-	-	**-**	**-**	**-**
11.3. Other	**-**	**-**	-	**-**	**-**	**-**	**-**
Period end balance (III+IV+…...+X+XI)	**8.447.051**	**556.937**	**-**	**1.431.359**	**1.879.428**	**(277.219)**	**40.603**

1. Tangible assets revaluation reserve,

2. Accumulated gains / losses on remeasurements of defined benefit plans,

3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,

4. Exchange differences on translation reserve,

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,

6. Accumulated gains or losses on cash flow hedges and net investment hedges.

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

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
4	5	6	Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
2.037.236	**(1.776.305)**	**542.034**	**19.795.091**	**1.639.954**	**4.667.426**	**39.006.667**	**611**	**39.007.278**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2.037.236	**(1.776.305)**	**542.034**	**19.795.091**	**1.639.954**	**4.667.426**	**39.006.667**	**611**	**39.007.278**
425.259	**1.602.694**	**(3.420.334)**	**-**	**-**	**3.600.060**	**2.181.464**	**126**	**2.181.590**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**(381)**	**-**	**-**	**2.762**	**-**	**2.762**
-	**-**	**-**	**4.667.426**	**-**	**(4.667.426)**	**-**	**(50)**	**(50)**
-	**-**	-	-	-	-	**-**	(50)	(50)
-	**-**	-	4.667.426	-	(4.667.426)	**-**	**-**	**-**
-	**-**	-	**-**	-	-	-	-	**-**
2.462.495	**(173.611)**	**(2.878.300)**	**24.462.136**	**1.639.954**	**3.600.060**	**41.190.893**	**687**	**41.191.580**

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

5. Consolidated statement of changes in shareholders' equity

Prior Period (31/12/2018)

					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
Changes in shareholder's equity	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	**1**	**2**	**3**
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**25.785**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**25.785**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**485.503**	**(40.645)**	**1.840**
V. Capital increase in cash	**4.100.000**	**13.056**	**-**	**(29.472)**	**-**	**-**	**-**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**108**	**-**	**-**	**-**
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**
11.1. Dividends distributed	**-**	**-**	-	-	**-**	**-**	**-**
11.2. Transfers to legal reserves	**-**	**-**	-	127.833	**-**	**-**	**-**
11.3. Other	**-**	**-**	-	**-**	**-**	**-**	**-**
Period end balance (III+IV+……+X+XI)	**8.447.051**	**556.937**	**-**	**1.428.216**	**1.866.531**	**(225.129)**	**27.625**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

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

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
4	5	6	Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
1.144.663	**(410.701)**	**117.925**	**16.552.355**	**1.639.954**	**3.614.081**	**30.101.285**	**541**	**30.101.826**
-	**110.325**	**-**	**(243.404)**	**-**	**-**	**(133.079)**	**-**	**(133.079)**
-	-	-	-	-	-	-	-	-
-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
1.144.663	**(300.376)**	**117.925**	**16.308.951**	**1.639.954**	**3.614.081**	**29.968.206**	**541**	**29.968.747**
892.573	**(1.475.929)**	**424.109**	**-**	**-**	**4.667.426**	**4.954.877**	**112**	**4.954.989**
-	**-**	**-**	**-**	**-**	**-**	**4.083.584**	**-**	**4.083.584**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**(108)**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**	**(42)**	**(42)**
-	**-**	-	**-**	-	**-**	-	(42)	(42)
-	**-**	-	3.486.248	-	(3.614.081)	-	-	**-**
-	**-**	-	**-**	-	-	-	-	**-**
2.037.236	**(1.776.305)**	**542.034**	**19.795.091**	**1.639.954**	**4.667.426**	**39.006.667**	**611**	**39.007.278**

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

6. Consolidated statement of cash flows

		Notes (Section Five)	Current Period (31/12/2019)	Prior Period (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**15.242.759**	**10.051.749**
1.1.1	Interest received		35.898.867	28.860.286
1.1.2	Interest paid		(22.054.837)	(20.355.110)
1.1.3	Dividend received		16.972	14.567
1.1.4	Fees and commissions received		7.367.158	5.630.813
1.1.5	Other income		1.113.365	2.121.212
1.1.6	Collections from previously written-off loans and other receivables		1.971.303	1.380.367
1.1.7	Cash Payments to personnel and service suppliers		(7.462.604)	(6.390.993)
1.1.8	Taxes paid		(2.458.913)	(642.045)
1.1.9	Other	6.3	851.448	(567.348)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**7.804.419**	**(6.471.411)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(157.170)	(145.539)
1.2.2	Net (increase) decrease in due from banks		(4.303.416)	(6.785.334)
1.2.3	Net (increase) decrease in loans		(20.140.448)	(27.307.429)
1.2.4	Net (increase) decrease in other assets		(3.630.547)	(5.951.381)
1.2.5	Net increase(decrease) in bank deposits		(5.321.815)	950.497
1.2.6	Net increase(decrease) in other deposits		26.610.741	35.336.043
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		5.198.149	3.736.167
1.2.8	Net increase(decrease) in funds borrowed		6.080.578	(6.284.391)
1.2.9	Net increase(decrease) in matured payables		-	-
1.2.10	Net increase(decrease) in other liabilities	6.3	3.468.347	(20.044)
I.	**Net cash provided from banking operations**		**23.047.178**	**3.580.338**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(6.044.435)**	**(1.866.239)**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3	Cash paid for the purchase of tangible and intangible asset		(571.614)	(554.845)
2.4	Cash obtained from the sale of tangible and intangible asset		194.769	75.760
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(14.834.071)	(13.723.476)
2.6	Cash obtained from the sale of financial assets atfair value through other comprehensive income		14.017.695	14.415.812
2.7	Cash paid for the purchase of financial assets at amortised cost		(5.269.230)	(4.065.376)
2.8	Cash obtained from sale of financial assets at amortised cost		418.016	1.985.886
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flows from financing activities**		**(1.898.927)**	**5.612.483**
3.1	Cash obtained from funds borrowed and securities issued		33.466.345	13.263.606
3.2	Cash outflow from funds borrowed and securities issued		(34.965.104)	(11.734.665)
3.3	Equity instruments issued		-	4.083.584
3.4	Dividends paid		(50)	(42)
3.5	Payments for lease liabilities		(400.118)	-
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**4.621.998**	**15.321.623**
V.	**Net increase/decrease in cash and cash equivalents**		**19.725.814**	**22.648.205**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**46.492.483**	**23.844.278**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**66.218.297**	**46.492.483**

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

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

7. Profit distribution statement[1],[2]

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**Distribution of current year income**		
1.1	Current year income	4.338.936	5.855.491
1.2	Taxes and duties payable (-)	738.876	1.188.065
1.2.1	Corporate tax (income tax)	1.623.617	791.064
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	(884.741)	397.001
A.	**Net income for the year (1.1-1.2)**	**3.600.060**	**4.667.426**
1.3	Prior year losses (-)	-	-
1.4	Firstlegalreserves (-)	-	233.371
1.5	Other statutory reserves (-)	884.741	-
B.	**Net income available for distribution [(A+(1.3+1.4+1.5)]**	**2.715.319**	**4.434.055**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	Dividends to personnel (-)	-	-
1.8	Dividends to board of directors (-)	-	-
1.9	Second dividend to shareholders (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.1	Second legal reserves (-)	-	-
1.11	Statutory reserves (-)	-	-
1.12	Extraordinary reserves	-	4.434.055
1.13	Other reserves	-	-
1.14	Special funds	-	-
II.	**Distribution of reserves**	-	-
2.1	Appropriated reserves	-	-
2.2	Second legal reserves (-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	Dividends to personnel (-)	-	-
2.5	Dividends to board of directors (-)	-	-
III.	**Earnings per share**	**0,0043**	**0,0073**
3.1	To owners of ordinary shares	0,0043	0,0073
3.2	To owners of ordinary shares (%)	-	-
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
IV.	**Dividend per share**	-	-
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

[1] Profit Distribution Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

[2] Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2019 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

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

Section Three

Accounting policies

1. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities, buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The accounting policies and valuation principles employed for the preparation of consolidated financial statements are in compliance with TFRS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS.

In accordance with the "Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette datedFebruary 1, 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

Additional paragraph for convenience translation into English:

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

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

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within limits determined levels by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss " in equity.

In order to eliminate the inconsistency in the recognition, the Group, might classify its financial liabilities as the financial liabilities classified at fair value through profit/loss upon the initial recognition.

3. Information on consolidation principles:

3.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 datedNovember 8, 2006 and "TFRS 10-Consolidated Financial Statements"

3.1.1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

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

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2019	Direct and indirect rates (%) December 31, 2019
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta(1)	St.Julian's /Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company (2)	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) As of October 25, 2019, it has been decided by Bank's Board of Directors to liquidate Bank's indirect subsidiary Yapı Kredi Bank Malta Ltd, of which 100% of its shares owned through Yapı Kredi Holding B.V. The liquidation process is expected to be completed within 18 months following the approval of legal authorities in Malta. The liquidation of Yapı Kredi Bank Malta is not expected to make a significant impact on Bank's activities and financial statements.

(2) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent

3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

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

Title	(City/ Country)	Main activities	Effective rates % December 31, 2019	Direct and indirect rates % December 31, 2019
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2019	Direct and indirect rates % December 31, 2019
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

3.1.5. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

4. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized 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 profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate and currency swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9- Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets 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 "Derivative financial assets at fair value through profit or loss" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". 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.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS - 9Financial Instruments"; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2019, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates

CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS - 9Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/ rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Group's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the

business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

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

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until the maturity. Thus Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Group sells financial assets when there is an increase in the assets' credit risk. The Group considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

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

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

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

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016 and in line with "TFRS 9 - Financial Instruments". In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Policy about write-off is diclosed in detail in explanations and notes related to consolidated assets of Section Five.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments of fair value through other comprehensive income:

At initial recognition, Group can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an equity instrument within the scope of TFRS 9. Such election is made on an instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

8. Explanations on impairment of financial assets:

The Parent Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Parent Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

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 will be 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 will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);

- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Parent Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit riskquantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Group can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment:

The probability of significant increase in credit riskunder qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Group's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;

- Transactions of Group's associates and subsidiaries

Forward Looking Information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Group uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Group evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1 year maturity, a process called "convergence to the mean" is applied.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

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

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS 3- Business Combinations" the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS 36 - Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

12.2. Other intangible assets:

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

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets".The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16- Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS 36-Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

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

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs leasing transactions in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessee:

The Group has adopted "TFRS 16 - Leases" as of January 1, 2019. The Group has applied the simplified transition approach and elected not to restate comparative figures.

In accordance with "TFRS 16 - Leases", the Group calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

Impact of TFRS 16 on financial statements as of January 1, 2019 is as follow:

Information on lease payables:

	January 1, 2019
Operating lease commitments	**1.418.695**
Total lease payables within the scope of TFRS 16 (discounted using the borrowing rate)	**846.301**
Finance lease payables	**-**
Lease payables	**846.301**
- Current lease liabilities	191.103
- Non-current lease liabilities	655.198

Information on total right-of-use assets:

	January 1, 2019
Branch	787.822
ATM	46.220
Other	12.259
Total right-of-use assets	**846.301**

14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1 Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions, contingent assets and liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with "TAS 37- Provisions, Contingent Liabilities and Contingent Assets".

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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related toseverance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve forseverance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

16.2. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article ofThe Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

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.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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

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A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of last day of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2019 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

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

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

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

18. Additional explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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

Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 694 (December 31, 2018 - TL 1.075).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments of the Parent Bank were announced after the balance sheet date.

23. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	3.600.060	4.667.426
Weighted average number of issued ordinary shares(thousand)	844.705.128	643.084.249
Earnings per share (full TL)	**0,0043**	**0,0073**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2019 (2018 - no bonus shares were issued).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 7. of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS 8- Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

Section four

Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity".

The consolidated capital adequacy ratio of the Group is 16,74% (December 31, 2018 - 14,81%) and the Parent Bank is 17,81% (December 31, 2018 - 16,07%).

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

1.1. Information related to capital adequacy ratio:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	25.884.402	21.216.976
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	4.515.991	5.647.070
Profit	5.240.014	6.307.380
Net profit of the period	3.600.060	4.667.426
Profit of the previous years	1.639.954	1.639.954
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	9.093	6.331
Minority interest	687	611
Common Equity Tier 1 capital before regulatory adjustments	**44.654.175**	**42.182.356**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	82.259	54.299
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	1.825.733	3.175.078
Improvement costs for operating leasing	130.170	107.326
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	868.508	789.064
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	1.513.584
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	1.068.032
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**3.886.163**	**7.686.876**
Common Equity Tier 1 capital (CET1)	**40.768.012**	**34.495.480**

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

ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	3.861.130	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA(For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 capital before regulatory adjustments	**3.861.130**	-
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	**3.861.130**	**-**
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**44.629.142**	**34.495.480**
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.817.423	7.070.650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency(For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	492.467	711.040
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks) (2)	2.896.894	2.720.587
Tier 2 capital before regulatory adjustments	**10.206.784**	**10.502.278**
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	**-**	**-**
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	112.694	87.791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	**-**
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	**-**
National specific regulatory adjustments which shall be determined by the BRSA	-	**-**
Total regulatory adjustments to Tier 2 capital	**112.694**	**87.791**
Total Tier 2 capital	**10.094.090**	**10.414.487**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**54.683.723**	**44.866.207**
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.337	4.893
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (3)	-	**-**
National specific regulatory adjustments which shall be determined by the BRSA	35.172	38.866
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	**-**	**-**
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	**-**	**-**
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	**-**	**-**

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

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	54.683.723	44.866.207
Total Risk Weighted Assets	326.754.145	302.881.004
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12,48	11,39
Tier 1 Capital Adequacy Ratio (%)	13,66	11,39
Capital Adequacy Ratio (%)	16,74	14,81
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	4,049	3,042
a) Capital conservation buffer requirement (%)	2,500	1,875
b) Bank's specific countercyclical buffer requirement (%)	0,049	0,042
c) Systemically important Bank buffer	1,500	1,125
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 ofRegulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7,658	5,389
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	1.213.663	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	3.025.366	2.576.876
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	6.595.432	5.355.077
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.713.967	3.487.932
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	492.467	711.040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.993.118	4.549.860

(1) Represents after tax, net amount of general provisions.

(2) According to the "Regulation Regarding to changes onRegulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Information on debt instruments included in the calculation of equity:

	1	2
Lender (1,2); Issuer (3,4,5,6,7)	UNICREDIT SPA	UNICREDIT SPA
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law
Regulatory treatment		
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.085	963
Par value of instrument	3.475	1.604
Accounting classification	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost
Original date of issuance	January 9, 2013	December 18, 2013
Perpetual or dated	Dated	Dated
Original maturity date	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends		
Fixed or floating dividend/coupon	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156 fixed
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible		
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-

3	4	5	6	7
Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş	Yapı ve Kredi Bankası A.Ş.
XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55	TRSYKBK62914	TRSYKBK92911
BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law	BRSA / CMB //Turkish Law	BRSA /CMB / Turkish Law
Yes	No	No	No	No
Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Bond	Bond	Bond	Bond	Bond
492	2.970	3.861	500	300
5.485	2.970	3.861	500	300
Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortised cost
December 6, 2012	March 8, 2016	January 15, 2019	July 3, 2019	October,3 2019
Dated	Dated	Demand	Dated	Dated
10 years	10 years 1 day	-	10 years	10 years
No	Yes	Yes	Yes	Yes
-	5th year	Every 5 year	After 5th year	After 5th year
-	-	Every 5 year	After 5th year	After 5th year
Fixed	Fixed	Fixed	Variable İnterest	Variable İnterest
5,7%	8,625% (5 Year MidSwap+ 7,40% coupon)	13,875% (5 Year MidSwap+ 11,245% coupon)	3 months TRLIBOR + 1,00%	TLREF Index change + 1,30%
-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
-	Mandatory	On demand	Mandatory	Mandatory
-	-			-
Noncumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	In case of default	In case of default and in case Common Equity Tier 1 lower than 5,125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF.	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
-	Partial	Partial and completely	Partial and completely	Partial and complete
-	Permanent	Temporary	Permanent	Permanent
-	-	In case of default and in case Common Equity Tier 1 higher than 5,125%	-	-
After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors andTIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same withTIER 2
Yes	No	No	No	No
8-2-ğ	-	-	-	-

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

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4. Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Exposures subject to countercyclical capital buffer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	241.956.815	-	241.956.815
Malta	1.438.148	-	1.438.148
Netherland	1.001.315	-	1.001.315
Italy	839.598	-	839.598
Azerbaijan	818.624	-	818.624
Switzerland	498.332	-	498.332
Marshall Islands	495.734	-	495.734
Republic of Maldives	436.047	-	436.047
USA	373.622	-	373.622
Egypt	285.829	-	285.829
Malesia	269.408	-	269.408
Luxembourg	234.485	-	234.485
Bulgaria	204.124	-	204.124
United Arab Emirrates	187.201	-	187.201
Russia	173.394	-	173.394
Kazakhistan	170.221	-	170.221
England	166.005	-	166.005
Germany	160.277	-	160.277
Turkish Republic of Northern Cyprus	134.062	-	134.062
Slovania	111.674	-	111.674
Other	497.671	-	497.671
Total	**250.452.586**		**250.452.586**

2. Explanations on consolidated credit risk:

2.1. Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Parent Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial, ME and SME customers according to Parent Bank's rating system is as follows:

	Current Period	Prior Period
Above average	47,5%	48,1%
Average	42,8%	45,1%
Below average	9,7%	6,8%

The Parent Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower.

The Group sets aside expected credit loss in accordance with the Provisioning Regulation within the scope of "provisions" and "value adjustments".

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

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

Risk classifications:	Current Period Risk Amount(1)	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	94.463.109	93.816.552
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	103.721	265.977
Conditional and unconditional receivables from multilateral development banks	86.158	83.543
Conditional and unconditional receivables from banks and brokerage houses	59.834.328	42.062.301
Conditional and unconditional receivables from corporates	188.617.790	189.673.466
Conditional and unconditional retail receivables	83.103.509	80.193.364
Conditional and unconditional receivables secured by mortgages	25.309.787	28.438.437
Past due receivables	7.276.653	5.357.243
Receivables defined as high risk category by the Regulator	191.966	154.136
Investments similar to collective investment funds	4.997	2.905
Share certificate investment	1.798.221	1.247.478
Other receivables	15.361.320	15.341.988
Total	**476.151.559**	**456.637.390**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2. The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3. In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non- cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4. The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5. In terms of credit risk;

- The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 36% and 43%. (December 31, 2018- 31% and 40%).
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 62%. (December 31, 2018- 49% and 64%).
- The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 39% and 48% of total cash loans and non-cash loans. (December 31, 2018- 37% and 47%).

2.6. The Group provided a general loan loss provision amounting to TL 6.595.432 (December 31, 2018 - TL 5.355.077).

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

2.7. Risk profile according to the geographical concentration:

	Risk Classifications[(1),(2)]					
	1	2	3	4	5	6
Current Period						
Domestic	92.345.409	-	103.721	-	23.962.311	177.137.414
EU countries	1.810.346	-	-	77.244	19.262.627	3.871.623
OECD countries[(3)]	-	-	-	-	2.070.193	1.438.374
Off-shore banking regions	-	-	-	-	35.926	1.082.846
USA, Canada	-	-	-	8.914	14.084.889	2.200.226
Other countries	307.354	-	-	-	418.382	2.887.307
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities[(4)]	-	-	-	-	-	-
Total	**94.463.109**	-	**103.721**	**86.158**	**59.834.328**	**188.617.790**

	Risk Classifications[(1),(2)]					
	1	2	3	4	5	6
Prior Period						
Domestic	98.007.763	-	144.844	-	3.103.195	172.577.153
EU countries	1.149.792	-	-	70.720	17.058.988	4.945.893
OECD countries[(3)]	-	-	-	-	749.614	1.696.717
Off-shore banking regions	-	-	-	-	50.628	1.039.793
USA, Canada	-	-	-	7.900	1.447.623	1.313.503
Other countries	138.784	-	-	-	1.128.821	3.228.328
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities[(4)]	-	-	-	-	-	-
Total	**99.296.339**	**-**	**144.844**	**78.620**	**23.538.869**	**184.801.387**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before credit risk mitigation.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis.

1- Conditional and unconditional receivables from central governments or central banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative units and non-commercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional retail receivables
9- Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Investments similar to collective investment funds
12-Share certificate investment
13-Other receivables

Risk Classifications[1],[2]							
7	8	9	10	11	12	13	Total
82.913.622	25.302.205	6.918.701	191.963	4.997	279.039	15.194.016	**424.353.398**
6.512	3.296	276.800	-	-	137	13.362	**25.321.947**
902	1.688	2	-	-	-	-	**3.511.159**
33	-	11.717	-	-	-	-	**1.130.522**
1.707	934	3.060	-	-	269.484	-	**16.569.214**
180.733	1.664	66.373	3		210	153.942	**4.015.968**
-	-	-	-	-	1.249.351	-	**1.249.351**
-	-	-	-	-	-	-	**-**
83.103.509	**25.309.787**	**7.276.653**	**191.966**	**4.997**	**1.798.221**	**15.361.320**	**476.151.559**

Risk Classifications[1],[2]							
7	8	9	10	11	12	13	Total
78.682.607	28.141.833	3.692.982	105.662	2.567	66.505	12.987.500	**397.512.611**
5.104	1.611	14.814	-	-	-	5.692	**23.252.614**
651	1.524	-	73	-	-	-	**2.448.579**
8	-	13.294	-	-	-	-	**1.103.723**
1.857	253	74	-	-	170.646	-	**2.941.856**
165.516	933	72.558	-	-	186	10.213	**4.745.339**
-	-	-	-	-	13.401	-	**13.401**
-	-	-	-	-	-	-	**-**
78.855.743	**28.146.154**	**3.793.722**	**105.735**	**2.567**	**250.738**	**13.003.405**	**432.018.123**

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

2.8. Risk profile according to sectors and counterparties:

	Risk Classifications[(1),(2)]					
	1	2	3	4	5	6
Agricultural	**5**	**-**	**2.595**	**-**	**-**	**4.963.076**
Farming and raising livestock	5	-	2.595	-	-	3.861.271
Forestry	-	-	-	-	-	875.744
Fishing	-	-	-	-	-	226.061
Manufacturing	**-**	**-**	**1.354**	**-**	**121.214**	**109.280.775**
Mining	-	-	-	-	-	1.198.611
Production	-	-	1.309	-	121.214	66.431.471
Electric, gas and water	-	-	45	-	-	41.650.693
Construction	**-**	**-**	**28**	**-**	**-**	**29.923.322**
Services	**93.944.115**	**-**	**99.744**	**86.158**	**58.403.811**	**43.016.733**
Wholesale and retail trade	-	-	-	-	-	5.436.443
Hotel, food and beverage services	2	-	4	-	-	5.235.514
Transportation and telecommunication	-	-	-	-	-	11.307.107
Financial institutions	93.942.054	-	16	86.158	58.403.811	7.556.384
Real estate and renting services	-	-	368	-	-	4.574.102
Employment	-	-	-	-	-	-
Education services	1.618	-	444	-	-	394.476
Health and social services	441	-	98.912	-	-	8.512.707
Other	**518.989**	**-**	**-**	**-**	**1.309.303**	**1.433.884**
Total	**94.463.109**	**-**	**103.721**	**86.158**	**59.834.328**	**188.617.790**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before credit risk mitigation.

1- Conditional and unconditional receivables from central governments or central banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative units and non-commercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from banks and brokerage houses
6- Conditional and unconditional receivables from corporates
7- Conditional and unconditional retail receivables
8- Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Investments similar to collective investment funds
12- Share certificate investment
13- Other receivables

Risk Classifications[1],[2]									
7	**8**	**9**	**10**	**11**	**12**	**13**	**TL**	**FC**	**Total**
1.749.182	**345.335**	**219.965**	**1.112**	**-**	**-**	**-**	**3.671.554**	**3.609.716**	**7.281.270**
1.505.927	317.680	159.174	1.019	-	-	-	3.013.127	2.834.544	5.847.671
216.511	25.562	3.300	20	-	-	-	531.668	589.469	1.121.137
26.744	2.093	57.491	73	-	-	-	126.759	185.703	312.462
20.031.791	**6.960.848**	**4.216.546**	**156.751**	**-**	**1.870**	**-**	**62.059.882**	**78.711.267**	**140.771.149**
219.220	42.098	108.324	341	-	-	-	1.111.012	457.582	1.568.594
19.477.738	6.700.086	2.650.762	9.102	-	1.870	-	51.083.827	44.309.725	95.393.552
334.833	218.664	1.457.460	147.308	-	-	-	9.865.043	33.943.960	43.809.003
5.136.536	**3.085.716**	**797.773**	**17.198**	**-**	**22.636**	**-**	**13.504.464**	**25.478.745**	**38.983.209**
10.216.743	**7.708.091**	**1.413.975**	**6.273**	**-**	**1.770.924**	**9.826.287**	**97.951.064**	**128.541.790**	**226.492.854**
4.702.709	1.028.973	265.720	2.142	-	-	-	8.267.269	3.168.718	11.435.987
1.288.865	2.854.390	249.841	350	-	-	-	3.070.788	6.558.178	9.628.966
1.378.004	484.902	319.975	1.256	-	204.053	-	3.615.668	10.079.629	13.695.297
352.067	456.975	26.177	206	-	1.560.493	9.826.287	75.511.466	96.699.162	172.210.628
550.904	2.246.423	487.786	902	-	-	-	1.865.895	5.994.590	7.860.485
-	-	-	-	-	-	-	-	-	-
152.453	86.974	8.454	27	-	-	-	590.419	54.027	644.446
1.791.741	549.454	56.022	1.390	-	6.378	-	5.029.559	5.987.486	11.017.045
45.969.257	**7.209.797**	**628.394**	**10.632**	**4.997**	**2.791**	**5.535.033**	**58.985.305**	**3.637.772**	**62.623.077**
83.103.509	**25.309.787**	**7.276.653**	**191.966**	**4.997**	**1.798.221**	**15.361.320**	**236.172.269**	**239.979.290**	**476.151.559**

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

2.9. Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	39.614.751	3.790.317	1.018.617	1.372.892	46.678.260	92.474.837
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	7.830	7.062	32.715	30.351	25.672	103.630
Conditional and unconditional receivables from multilateral development banks	891	169	8.745	844	75.509	86.158
Conditional and unconditional receivables from banks and brokerage houses	31.137.845	3.606.449	3.018.380	1.814.736	7.907.090	47.484.500
Conditional and unconditional receivables from corporates	13.633.083	15.841.023	15.053.609	23.228.159	120.786.548	188.542.422
Conditional and unconditional retail receivables	29.472.493	2.946.659	4.329.464	6.241.259	37.319.164	80.309.039
Conditional and unconditional receivables secured by mortgages	475.803	882.837	1.291.314	2.025.064	20.584.770	25.259.788
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	266	94.955	1.373	3.871	72.827	173.292
Investments similar to collective investment funds	-	-	4.997	-	-	4.997
Share certificate investment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	**114.342.962**	**27.169.471**	**24.759.214**	**34.717.176**	**233.449.840**	**434.438.663**

[1] Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10. Risk balances according to risk weights:

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

	Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	87.786.674	12.923.453	88.571	32.059.662	10.649.700	28.703.987	83.103.509	217.853.567	1.768.773	1.213.663	476.151.559	2.130.374
2	Total exposure after credit risk mitigation	97.153.413	308.898	88.571	31.999.242	10.649.700	28.052.729	75.604.494	210.221.630	1.023.019	1.213.663	456.315.359	2.130.374

2.11. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of December 31, 2019.

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

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of December 31, 2019.

Sectors / Counterparties	**Loans**		**Provisions**
	Impaired Loans (TFRS9)		
	Significant increase in credit risk	**Credit - Impaired (Stage 3)**	**Expected Credit Losses**
Agricultural	**734.395**	**788.732**	**557.200**
Farming and raising livestock	315.539	614.285	456.134
Forestry	320.999	35.829	29.930
Fishing	97.857	138.618	71.136
Manufacturing	**24.739.178**	**11.271.349**	**10.346.843**
Mining	111.309	355.124	258.526
Production	6.341.565	7.049.838	4.837.013
Electric, gas and water	18.286.304	3.866.387	5.251.304
Construction	**12.006.835**	**2.473.976**	**2.434.763**
Services	**6.254.165**	**3.779.803**	**2.676.699**
Wholesale and retail trade	800.467	1.062.760	792.758
Hotel, food and beverageservices	725.157	657.145	417.821
Transportation and telecommunication	675.265	807.972	529.572
Financial institutions	1.100.704	56.337	154.982
Real estate and renting services	2.299.596	897.081	519.385
Education services	18.257	27.544	20.251
Health and social services	634.719	270.964	241.930
Other	**2.796.517**	**2.224.275**	**1.844.690**
Total	**46.531.090**	**20.538.135**	**17.860.195**

2.12. Information about value adjustments and changes in the loan impairment:

		Opening balance	**Provision amounts set aside during the period**	**Reversal of provisions**	**Other adjustments[1]**	**Close out balance**
1	Specific provisions	10.334.357	7.694.137	(1.611.363)	(3.545.630)	12.871.501
2	General provisions	5.355.077	1.289.674	(28.289)	(21.030)	6.595.432

[1] The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

3. Explanations on Consolidation Based Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk management approach of the Bank

Risk management strategy of the Group ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Group is based on strong risk management techniques of İSEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positionsare ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Group implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of the Parent Bank's credit allocation activities, is updated at least annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

İSEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Parent Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Strategic Risk Control" and "Risk Validation" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis.Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Parent Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Parent Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

For the mitigation of risks, Operational risk management carries out the activities ofrestructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

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

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**289.482.466**	**271.987.460**	**23.158.597**
2	Of which standardised approach (SA)	289.482.466	271.987.460	23.158.597
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**5.037.926**	**7.045.736**	**403.034**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5.037.926	7.045.736	403.034
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach**	**-**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**2.603**	**1.459**	**208**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**	**-**
10	**Equity investments in funds - fall-back approach**	**-**	**-**	**-**
11	**Settlement risk**	**-**	**-**	**-**
12	**Securitisation exposures in banking book**	**-**	**-**	**-**
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**2.689.968**	**2.872.391**	**215.197**
17	Of which standardised approach (SA)	2.689.968	2.872.391	215.197
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational risk**	**26.507.024**	**20.973.958**	**2.120.562**
20	Of which Basic Indicator Approach	26.507.024	20.973.958	2.120.562
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**3.034.158**	**-**	**242.733**
24	**Floor adjustment**	**-**	**-**	**-**
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**326.754.145**	**302.881.004**	**26.140.331**

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

3.2. Linkages between financial statements and risk amounts:

3.2.1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

			Carrying values of items in accordance with TAS				
CurrentPeriod	**Carrying values in financial statements prepared as per TAS**	**Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Financial Assets (Net)	113.280.776	113.563.368	97.964.963	19.685.955	-	3.302.377	112.694
Loans(Net)	274.101.624	274.047.178	280.289.333	-	-	-	39.509
Assets Held For Resale and Related To Discontinued Operations (Net)	331.335	331.335	331.335	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	1.236.241	1.249.325	1.249.325	-	-	-	-
Property and Equipment (Net)	2.415.275	4.358.899	4.228.729	-	-	-	130.170
Intangible Assets (Net)	1.965.121	1.920.824	72.823	-	-	-	1.848.001
Tax Asset	2.330.060	2.132.448	2.132.448	-	-	-	-
Other Assets	13.326.249	13.591.643	13.702.645	-	-	-	-
TOTAL ASSETS	**408.986.681**	**411.195.020**	**399.971.601**	**19.685.955**	**-**	**3.302.377**	**2.130.374**
Liabilities							
Deposits	234.805.573	231.071.697	-	-	-	-	231.071.697
Borrowings	44.446.270	45.373.495	-	-	-	-	45.373.495
Money Markets	2.575.025	6.308.888	-	3.695.745	-	-	2.613.143
Marketable Securities Issued	24.956.076	25.221.191	-	-	-	-	25.221.191
Financial liabilities fair value through profit and loss	13.184.605	13.184.605	-	-	-	-	13.184.605
Derivative Financial Liabilities	7.105.282	7.105.282	-	2.683.935	-	2.800.734	4.421.347
Lease Payables	927.223	927.223	-	-	-	-	927.223
Provisions	3.355.268	3.742.231	-	-	-	-	3.742.231
Tax Liability	320.496	942.198	-	-	-	-	942.198
Subordinated Loans	18.580.039	18.580.039	-	-	-	-	18.580.039
Other Liabilities	19.374.925	17.546.591	-	-	-	-	17.546.591
Shareholder's Equity	39.355.899	41.191.580	-	-	-	-	41.191.580
TOTAL LIABILITIES	**408.986.681**	**411.195.020**	**-**	**6.379.680**	**-**	**2.800.734**	**404.815.340**

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

			Carrying values of items in accordance with TAS				
PriorPeriod	**Carrying values in financial statements prepared as per TAS**	**Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué “Preparation of Consolidated Financial**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Financial Assets (Net)	97.971.271	98.258.593	89.249.743	10.889.480	-	5.124.665	87.791
Loans(Net)	257.453.264	257.773.635	262.689.291	-	-	-	43.759
Assets Held For Resale and Related To Discontinued Operations (Net)	298.470	298.470	298.470	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	1.068.349	1.081.433	13.401	-	-	-	1.068.032
Property and Equipment (Net)	1.374.391	3.312.175	3.204.849	-	-	-	107.326
Intangible Assets (Net)	1.861.354	1.817.112	48.555	-	-	-	1.768.557
Tax Asset	931.569	722.395	722.395	-	-	-	-
Other Assets	10.061.979	10.112.441	10.302.945	-	-	-	-
TOTAL ASSETS	**371.106.281**	**373.376.254**	**366.529.649**	**10.889.480**	**-**	**5.124.665**	**3.075.465**
Liabilities							
Deposits	211.636.961	210.291.473	-	-	-	-	210.291.473
Borrowings	47.157.273	47.072.002	-	-	-	-	47.072.002
Money Markets	2.174.724	3.520.213	-	1.345.575	-	-	2.174.638
Marketable Securities Issued	21.158.177	21.442.203	-	-	-	-	21.442.203
Financial liabilities fair value through profit and loss	7.965.404	7.965.404	-	-	-	-	7.965.404
Derivative Financial Liabilities	7.287.749	7.287.749	-	4.284.377	-	5.639.073	3.003.372
Lease Payables	-	-	-	-	-	-	-
Provisions	2.787.803	3.459.185	-	-	-	-	3.459.185
Tax Liability	674.897	1.133.098	-	-	-	-	1.133.098
Subordinated Loans	13.557.153	13.557.153	-	-	-	-	13.557.153
Other Liabilities	19.582.387	18.640.496	-	-	-	-	18.640.496
Shareholder’s Equity	37.123.753	39.007.278	-	-	-	-	39.007.278
TOTAL LIABILITIES	**371.106.281**	**373.376.254**	**-**	**5.629.952**	**-**	**5.639.073**	**367.746.302**

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

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

	Current Period	Total	Subject To CreditRisk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory Consolidation	422.959.933	399.971.601	-	19.685.955	3.302.377
2	Liabilities carrying value amount under regulatory scope of consolidation	9.180.414	-	-	6.379.680	2.800.734
3	**Total net amount under regulatory scope of consolidation**	**413.779.519**	**399.971.601**	**-**	**13.306.275**	**501.643**
4	**Off-Balance Sheet Amounts**	**183.924.359**	**57.229.378**	**-**	**1.733.413**	**-**
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences resulted from the BRSA'a applications		-	-	-	2.188.325
9	Differences due to risk reduction		(5.814.119)	-	(10.111.189)	-
	Risk Amounts		**451.386.860**	**-**	**4.928.499**	**2.689.968**

	Prior Period	Total	Subject To CreditRisk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory Consolidation	382.543.794	366.529.649	-	10.889.480	5.124.665
2	Liabilities carrying value amount under regulatory scope of consolidation	11.269.025	-	-	5.629.952	5.639.073
3	**Total net amount under regulatory scope of consolidation**	**371.231.989**	**366.529.649**	**-**	**5.259.528**	**(514.408)**
4	**Off-Balance Sheet Amounts**	**161.631.451**	**57.393.313**	**-**	**1.629.821**	**-**
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences resulted from the BRSA'a applications		-	-	-	3.386.799
9	Differences due to risk reduction		(3.931.836)	-	(21.390)	-
	Risk Amounts		**419.991.127**	**-**	**6.867.959**	**2.872.391**

3.2.3. Disclosures regarding differences between exposures valued in accordance with TAS and risk exposures:

Main difference between amounts reported in financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of TAS in the framework of legal consolidation is that non-financial subsidiaries are not included in consolidation in scope of legal consolidation.

Group's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Group uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Group's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification,comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data usedfor bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on credit risk

3.3.1. General information regarding credit risk

3.3.1.1.General qualitative information regarding credit risk

Credit risk is the loss or the risk of the Parent Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year.

Credit granting authorization levels are also determined in accordance with the rating of the customer in ME and SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

The Parent Bank uses score card to evaluate new applications for retail credits and credit card customers and management of application and limit management of current customers. Score card system is developed internally and updated and approved periodically.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit Policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customers's worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA - using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank,evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA - using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank,evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank's internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Strategic Risk Controlis responsible for preparation of credit risk budgeting and credit risk reporting activities of the Parent Bank, calculation ofloan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to allunits in the Parent Bank for the related topics.The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals. The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

The unit is also responsible for definition ofthe Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification,reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

İSEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

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

3.3.1.2. Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairements**	**Net values**
1	Loans	19.362.337	243.290.890	18.172.617	244.480.610
2	Debt Securities	-	56.580.044	94.342	56.485.702
3	Off-balance sheet exposures	1.175.798	161.704.704	927.439	161.953.063
4	**Total**	**20.538.135**	**461.575.638**	**19.194.398**	**462.919.375**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairements**	**Net values**
1	Loans	13.300.362	236.199.162	14.531.568	234.967.956
2	Debt Securities	-	49.749.420	98.820	49.650.600
3	Off-balance sheet exposures	1.079.128	150.514.908	866.322	150.727.714
4	**Total**	**14.379.490**	**436.463.490**	**15.496.710**	**435.346.270**

3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at end of the previous reporting period**	**14.379.490**	**10.559.057**
2	Loans and debt securities that have defaulted since the last reporting period	11.660.481	8.504.919
3	Returned to non-defaulted status	43.356	59.536
4	Amounts written off	3.575.298	2.516.488
5	Other changes	(1.883.182)	(2.108.462)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**20.538.135**	**14.379.490**

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

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- for which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- for which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- for which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are classified as non performing loans and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Bank.

3.3.1.4.1.Exposures provisioned against by major regions:

	Current Period	Prior Period
Domestic	321.073.185	308.195.342
USA,Canada	4.009.514	2.135.230
European Union (EU) Countries	6.383.485	6.802.617
OECD Countries	2.661.237	2.442.738
Off-Shore Banking Regions	130	795
Other Countries	5.218.684	5.373.635
Total	**339.346.235**	**324.950.356**

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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

3.3.1.4.2. Exposures provisioned against by major sectors [1]:

	Current Period	Prior Period
Agricultural	**9.663.508**	**7.263.746**
Farming and raising livestock	7.654.143	5.208.646
Forestry	1.457.615	1.489.187
Fishing	551.750	565.913
Manufacturing	**143.193.155**	**134.796.477**
Mining and Quarrying	2.162.692	3.017.705
Production	94.750.349	86.836.061
Electricity, Gas, Water	46.280.114	44.942.711
Construction	**45.675.600**	**53.868.180**
Services	**62.594.231**	**57.653.086**
Wholesale and retail trade	11.018.992	10.982.055
Hotel, food and beverage services	8.318.445	8.223.653
Transportation and telecommunication	11.873.621	13.271.749
Financial institutions	11.422.115	9.929.862
Real estate and leasing services	8.814.540	4.797.382
Education services	649.247	345.130
Health and social services	10.497.271	10.103.255
Other	**78.219.741**	**71.368.866**
Total	**339.346.235**	**324.950.356**

[1] Breakdown of cash loans, non cash loans and non performing loansby sector is as in the above table.

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note VII of Section 4.

3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note II of Section 4.

3.3.1.4.5. Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL17.603.089 (December 31, 2018- TL 12.901.556) has been set aside for the risk at an amount of TL 11.771.616 (December 31, 2018- TL 9.301.872).

3.3.1.4.6. Aging analysis for overdue receivables [1]:

	Current Period	Prior Period
31-60 days overdue	1.433.652	1.710.601
61-90 days overdue	973.003	1.273.724
Other	35.381.258	30.641.657
Total	**37.787.913**	**33.625.982**

[1] Overdue receivables represent over due of cash loans.

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

3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.562.029	4.742.251
Loans restructured from Loans under legal follow-up	1.356.496	491.437
Total	**22.918.525**	**5.233.688**

3.3.1.4.8. Informations related to expected credit losses for loans:

	Stage 1	Stage 2	Stage 3	Total
Begining of the period (1 January 2019)	**1.317.374**	**3.642.041**	**9.572.153**	**14.531.568**
Additions	649.148	1.015.132	7.538.235	9.202.515
Disposals	(508.820)	(231.499)	(1.734.198)	(2.474.517)
NPL sales	-	-	(2.721.412)	(2.721.412)
Write offs	-	-	(853.886)	(853.886)
Transfer to stage 1	15.262	(14.422)	(840)	-
Transfer to stage 2	(361.187)	400.129	(38.942)	-
Transfer to stage 3	(25.845)	(282.850)	308.695	-
Exchage differences	67.633	391.048	29.668	488.349
End of the period	**1.153.565**	**4.919.579**	**12.099.473**	**18.172.617**

	Stage 1	Stage 2	Stage 3	Total
Begining of the period (1 January 2018)	**1.904.788**	**626.032**	**8.393.414**	**10.924.234**
Additions	326.059	2.822.981	6.541.279	9.690.319
Disposals	(687.289)	(400.228)	(2.918.142)	(4.005.659)
NPL sales	-	-	(2.015.868)	(2.015.868)
Write offs	-	-	(500.620)	(500.620)
Transfer to stage 1	53.213	(47.453)	(5.760)	-
Transfer to stage 2	(338.584)	385.924	(47.340)	-
Transfer to stage 3	(30.432)	(58.787)	89.219	-
Exchage differences	89.619	313.572	35.971	439.162
End of the period	**1.317.374**	**3.642.041**	**9.572.153**	**14.531.568**

3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Parent Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Parent Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoringthe risk over a single value even the counterparty is not in bankruptcycase of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements, the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization ofcollateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination ofthe level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) riskaspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in linewith risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

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

3.3.2.2. Credit risk mitigation techniques - overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	174.388.950	70.091.660	37.707.385	11.903.657	9.616.692	-	-
Debt securities	56.485.702	-	-	-	-	-	-
TOTAL	**230.874.652**	**70.091.660**	**37.707.385**	**11.903.657**	**9.616.692**	**-**	**-**
Of which defaulted	3.811.620	3.451.244	932.993	733.593	371.782	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	169.831.073	65.136.883	37.917.685	12.559.374	9.177.350	-	-
Debt securities	49.650.600	-	-	-	-	-	-
TOTAL	**219.481.673**	**65.136.883**	**37.917.685**	**12.559.374**	**9.177.350**	**-**	**-**
Of which defaulted	2.249.667	1.478.542	385.677	199.034	46.465	-	-

3.3.3. Credit risk under standardised approach

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

An international rating firm, Fitch Ratings' external risk ratings are used 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". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

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

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

			Claims on banks and intermediary institutions			
Credit Quality Grade	**Fitch Ratings**	**Claims on sovereigns and Central Banks**	**Claims on administrative bodies and other non-commercial undertakings**	**Contractual maturity of claims under 3 months**	**Contractual maturity of claims over 3 months**	**Claims on corporates**
1	AAA					
	AA+					
	AA					
	AA-	0%	20%	20%	20%	20%
2	A+					
	A					
	A-	20%	50%	20%	50%	50%
3	BBB+					
	BBB					
	BBB-	50%	100%	20%	50%	100%
4	BB+					
	BB					
	BB-	100%	100%	50%	100%	100%
5	B+					
	B					
	B-	100%	100%	50%	100%	150%
6	CCC+					
	CCC					
	CCC-					
	CC					
	C					
	D	150%	150%	150%	150%	150%

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

3.3.3.2. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	93.739.760	1.652	103.663.658	228.778	12.694.935	12,22%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4	Exposures to multilateral development banks	75.243	21.529	75.243	10.915	-	0,00%
5	Conditional and unconditional receivables from banks and brokerage houses	41.450.308	12.306.819	41.514.884	2.507.194	16.454.249	37,38%
6	Exposures to institutions	140.169.354	104.756.514	135.085.647	43.302.762	176.575.685	98,98%
7	Exposures to corporates	76.725.641	62.127.161	69.592.033	6.007.307	56.699.505	75,00%
8	Retail exposures	10.587.317	130.104	10.587.317	62.383	3.727.395	35,00%
9	Exposures secured by residential property	12.742.688	2.357.619	12.742.688	1.658.082	7.200.385	50,00%
10	Exposures secured by commercial real estate	7.244.356	52.945	6.861.754	31.762	5.426.929	78,73%
11	Past-due loans	18.674	2.046.794	18.605	167.920	278.557	149,34%
12	Higher-risk categories by the Agency Board	4.997	-	4.997	-	2.602	52,07%
13	Investments in equities	1.798.221	-	1.798.221	-	3.618.715	201,24%
14	Other assets	15.361.320	-	15.361.320	-	9.736.880	63,39%
	TOTAL	**399.971.601**	**183.924.359**	**397.360.079**	**54.026.781**	**292.519.227**	**64,80%**

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	99.290.012	4.396	108.364.155	371.306	10.952.189	10,07%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	89.350	133.970	89.346	54.812	144.158	100%
4	Exposures to multilateral development banks	68.586	19.796	68.587	10.033	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	15.329.908	5.865.150	15.479.580	3.028.160	9.818.985	53,05%
6	Exposures to institutions	136.949.760	100.024.831	131.486.410	43.075.587	172.882.250	99,04%
7	Exposures to corporates	71.105.253	53.117.435	65.439.425	7.307.338	54.560.072	75,00%
8	Retail exposures	9.514.269	100.901	9.514.269	47.078	3.346.472	35,00%
9	Exposures secured by residential property	17.197.592	2.047.900	17.197.592	1.354.737	9.276.164	50,00%
10	Exposures secured by commercial real estate	3.711.332	136.233	3.662.715	82.188	3.243.909	86,62%
11	Past-due loans	16.877	180.839	16.783	84.316	150.361	148,73%
12	Higher-risk categories by the Agency Board	2.567	-	2.567	-	1.459	56,84%
13	Investments in equities	250.738	-	250.738	-	250.738	100,00%
14	Other assets	13.003.405	-	13.003.405	-	7.362.162	56,62%
	TOTAL	**366.529.649**	**161.631.451**	**364.575.572**	**55.415.555**	**271.988.919**	**64,76%**

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

3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%
1	Exposures to central governments or central banks	91.183.994	-	16.883	-
2	Exposures to regional governments or local authorities	-	-	-	-
3	Exposures to public sector entities	-	-	-	-
4	Exposures to multilateral development banks	86.158	-	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	30.545.548	-
6	Exposures to institutions	330.804	-	701.714	-
7	Exposures to corporates	-	-	-	-
8	Retail exposures	-	-	-	10.649.700
9	Exposures secured by residential property	-	-	-	-
10	Exposures secured by commercial real estate	-	-	-	-
11	Past-due loans	-	-	-	-
12	Higher-risk categories by the Agency Board	178	-	2.343	-
13	Investments in equities	-	-	-	-
14	Other assets	5.540.375	-	105.082	-
	Total	**97.141.509**	**-**	**31.371.570**	**10.649.700**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%
1	Exposures to central governments or central banks	97.783.273	-	-	-
2	Exposures to regional governments or local authorities	-	-	-	-
3	Exposures to public sector entities	-	-	-	-
4	Exposures to multilateral development banks	78.619	-	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	6.670.505	-
6	Exposures to institutions	-	-	470.454	-
7	Exposures to corporates	-	-	-	-
8	Retail exposures	-	-	-	9.561.347
9	Exposures secured by residential property	-	-	-	-
10	Exposures secured by commercial real estate	-	-	-	-
11	Past-due loans	-	-	-	-
12	Higher-risk categories by the Agency Board	351	-	670	-
13	Investments in equities	-	-	-	-
14	Other assets	5.562.874	-	97.961	-
	Total	**103.425.117**	**-**	**7.239.590**	**9.561.347**

50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
-	-	12.691.559	-	-	-	-	103.892.436
-	-	-	-	-	-	-	-
-	-	103.390	-	-	-	-	103.390
-	-	-	-	-	-	-	86.158
6.302.947	-	7.133.418	40.165	-	-	-	44.022.078
1.841.102	-	175.514.789	-	-	-	-	178.388.409
-	75.599.340	-	-	-	-	-	75.599.340
-	-	-	-	-	-	-	10.649.700
14.400.770	-	-	-	-	-	-	14.400.770
3.731.962	-	2.362.765	798.789	-	-	-	6.893.516
-	-	2.460	184.065	-	-	-	186.525
683	-	1.793	-	-	-	-	4.997
-	-	584.558	-	-	1.213.663	-	1.798.221
-	-	9.715.863	-	-	-	-	15.361.320
26.277.464	**75.599.340**	**208.110.595**	**1.023.019**	**-**	**1.213.663**	**-**	**451.386.860**

50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
-	-	10.952.188	-	-	-	-	108.735.461
-	-	-	-	-	-	-	-
-	-	144.158	-	-	-	-	144.158
-	-	-	-	-	-	-	78.619
6.705.507	-	5.130.924	804	-	-	-	18.507.740
2.606.760	-	171.484.784	-	-	-	-	174.561.998
-	72.746.763	-	-	-	-	-	72.746.763
-	-	-	-	-	-	-	9.561.347
18.552.329	-	-	-	-	-	-	18.552.329
1.503.849	-	1.739.192	501.862	-	-	-	3.744.903
741	-	1.094	99.264	-	-	-	101.099
442	-	1.104	-	-	-	-	2.567
-	-	250.738	-	-	-	-	250.738
-	-	7.342.570	-	-	-	-	13.003.405
29.369.628	**72.746.763**	**197.046.752**	**601.930**	**-**	**-**	**-**	**419.991.127**

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

3.4. Explanation on counterparty credit risk

3.4.1. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and isfunctioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. Accordingto CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	2.168.211	1.733.413	-	1,40	3.875.568	2.806.284
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					655.460	321.783
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**3.128.067**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	4.358.273	1.629.821	-	1,40	5.965.825	4.126.047
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					541.461	231.720
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.357.767**

[1] Effective expected positive exposure

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

3.4.3. Credit valuation adjustment (CVA) capital charge

		Current Period		Prior period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) StressedValue at Risk(3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3.875.568	1.900.138	6.507.286	2.507.402
	Total amount of CVA capital adequacy	**3.875.568**	**1.900.138**	**6.507.286**	**2.507.402**

3.4.4. Standardised approach - CCR exposures by regulatory portfolio and risk weights

	Current Period											
	Risk Weights/Risk Classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Total credit risk[1]**
1	Central governments and central banks receivables	11.904	-	-	-	-	-	-	-	21.050		32.954
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	308.898	88.571	-	627.672	-	1.510.381	-	120.115	-	2.655.637
6	Corporate receivables	-	-	-	-	-	-	5.566	-	1.969.870	-	1.975.436
7	Retail receivables	-	-	-	-	-	-	-	5.154	-	-	5.154
8	Mortgage receivables	-	-	-	-	-	-	259.318	-	-	-	259.318
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-	-
	Total	**11.904**	**308.898**	**88.571**	**-**	**627.672**	**-**	**1.775.265**	**5.154**	**2.111.035**	**-**	**4.928.499**

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

Prior Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Total credit risk[1]
1	Central governments and central banks receivables	-	-	-	-	-	-	5.466	-	5.466
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	946.064	-	3.109.371	-	9.207	-	4.064.642
6	Corporate receivables	-	-	-	-	-		2.757.969	-	2.757.969
7	Retail receivables	-	-	-	-	-	7.403	-	-	7.403
8	Mortgage receivables	-	-	-	-	32.479	-	-	-	32.479
9	Non performing receivables	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**946.064**	**-**	**3.141.850**	**7.403**	**2.772.642**	**-**	**6.867.959**

[1] Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

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

3.4.5. Composition of collateral for CCR exposure

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Current Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	-	2.594	-	-	2.936.526	10.703.351
2	Cash - Foreign Currency	-	17.961	-	-	789.711	-
3	Domestic sovereign debts	-	5.501	-	-	10.709.991	4.233.025
4	Other collateral	-	-	-	-	-	-
	Total	**-**	**26.056**	**-**	**-**	**14.436.228**	**14.936.376**

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Prior Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	-	6.776	-	-	1.269.049	-
2	Cash - Foreign Currency	-	14.886	-	-	-	-
3	Domestic sovereign debts	-	595	-	-	-	1.379.051
4	Other collateral	-	12	-	-	-	-
	Total	**-**	**22.269**	**-**	**-**	**1.269.049**	**1.379.051**

3.4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.732.747	-	8.115.956
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**12.732.747**	**-**	**8.115.956**
RediscountAmount	**-**	**(229.460)**	**-**	**(346.698)**
Positive Rediscount Amount		274.073		10.579
Negative Rediscount Amount		(503.533)		(357.277)

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

3.4.7. Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**103.615**		**56.141**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3	(i) OTC Derivatives	114.438	4.060	360.673	180.567
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	283.033	5.661	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-		-	
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		**-**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on consolidated market risk

3.6.1. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Group on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Group is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Group is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Group implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Group; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactionsvia internal model methodand manages the inclusion ofthese exposuresinto the monitoring and the creditunderwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

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

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

3.6.2. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	**Risk Weighted Asset**
	Outright products	**2.669.818**	**2.831.116**
1	Interest rate risk (general and specific)	1.563.732	1.143.514
2	Equity risk (general and specific)	11.213	11.275
3	Foreign exchange risk	1.094.873	1.676.327
4	Commodity risk	-	-
	Options	**20.150**	**41.275**
5	Simplified approach	-	-
6	Delta-plus method	20.150	41.275
7	Scenario approach	-	-
8	Securitisation	-	-
	Total	**2.689.968**	**2.872.391**

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017 and 2016 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2019, the total amount subject to operational risk is TL 26.507.024 (December 31, 2018 - TL 20.973.958) and the amount of the related capital requirement is TL 2.120.562 (December 31, 2018 - TL 1.677.917).

Current Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	11.465.876	12.636.566	18.308.797	14.137.079	15,00%	2.120.562
Amount subject to operational risk (Total*12,5)						**26.507.024**

Prior Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	9.455.891	11.465.876	12.636.566	11.186.111	15,00%	1.677.917
Amount subject to operational risk (Total*12,5)						**20.973.958**

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

3.8. Interest rate risk arising from banking accounts:

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price İndex bonds model and early payment model in some consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2019, based on the significant currencies of the Bank.

		Current Period		Prior Period	
Currency	**Applied shock (+/- x basis points)**	**Gains/Losses**	**Gains/SE-Losses/SE**	**Gains/Losses**	**Gains/SE-Losses/SE**
TRY	(+)500 bp	(2.779.791)	(5,09)%	(2.066.411)	(4,59)%
TRY	(-)400 bp	2.547.494	4,67%	1.918.554	4,26%
EUR	(+)200 bp	(88.345)	(0,16)%	(97.759)	(0,22)%
EUR	(-)200 bp	107.025	0,20%	110.571	0,25%
USD	(+)200 bp	(126.269)	(0,23)%	172.203	(0,38)%
USD	(-)200 bp	417.118	0,76%	7.013	0,02%
Total (For negative shocks)		**3.071.637**	**5,63%**	**2.036.137**	**4,52%**
Total (For positive shocks)		**(2.994.405)**	**(5,49)%**	**(1.991.967)**	**(4,43)%**

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

4. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 10.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate	**5,9402**	**6,6506**
First day current bid rate	5,9370	6,6117
Second day current bid rate	5,9302	6,5759
Third day current bid rate	5,9293	6,5755
Fourth day current bid rate	5,9364	6,5773
Fifth day current bid rate	5,9291	6,5714
Arithmetic average of the last 30 days:	**5,8357**	**6,4814**
Evaluation rate as of prior period:	**5,2609**	**6,0280**

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

Information on currency risk of the Group:

Current period	EUR	USD	Other FC[4]	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	18.634.201	19.802.327	2.560.770	40.997.298
Banks	3.674.552	19.524.917	149.880	23.349.349
Financial assets at fair value through profit or loss	8.693	333.907	-	342.600
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	686.986	3.237.174	173.826	4.097.986
Loans [1]	51.850.016	48.722.746	1.950.725	102.523.487
Investments in associates, subsidiaries andjoint ventures	-	-	902.257	902.257
Financial assets measured at amortised cost	1.326.122	10.264.221	1	11.590.344
Hedging derivative financial assets	34.576	42.439	-	77.015
Tangible assets	8.586	-	36.899	45.485
Other assets [2]	4.787.395	5.512.341	532.566	10.832.302
Total assets	**81.011.127**	**107.440.072**	**6.306.924**	**194.758.123**
Liabilities				
Bank deposits	998.119	429.827	133.379	1.561.325
Foreign currency deposits	42.056.062	78.383.949	6.075.771	126.515.782
Funds frommoney market	759.218	30.646	-	789.864
Funds borrowed from other financial institutions	19.519.772	23.237.760	163.588	42.921.120
Marketable securities issued	1.169.306	17.310.938	1	18.480.245
Miscellaneous payables	584.452	661.409	34.987	1.280.848
Hedging derivative financial liabilities	96.229	215.747	-	311.976
Other liabilities[3]	1.021.981	31.392.130	54.394	32.468.505
Total liabilities	**66.205.139**	**151.662.406**	**6.462.120**	**224.329.665**
Net on balance sheet position	**14.805.988**	**(44.222.334)**	**(155.196)**	**(29.571.542)**
Net off balance sheet position[5]	**(14.622.916)**	**44.032.728**	**1.313.524**	**30.723.336**
Financial derivative assets	18.761.225	67.285.838	2.660.600	88.707.663
Financial derivative liabilities	33.384.141	23.253.110	1.347.076	57.984.327
Net position	**183.072**	**(189.606)**	**1.158.328**	**1.151.794**
Non-cash loans	**32.650.835**	**25.685.167**	**4.281.709**	**62.617.711**
Prior period				
Total assets	83.972.116	86.608.353	8.261.009	178.841.478
Total liabilities	75.065.277	129.283.156	3.840.455	208.188.888
Net on-balance sheet position	**8.906.839**	**(42.674.803)**	**4.420.554**	**(29.347.410)**
Net off-balance sheet position[5]	**(8.649.898)**	**41.447.193**	**(3.030.744)**	**29.766.551**
Financial derivative assets	11.678.811	67.127.521	1.857.074	80.663.406
Financial derivative liabilities	20.328.709	25.680.328	4.887.818	50.896.855
Net position	**256.941**	**(1.227.610)**	**1.389.810**	**419.141**
Non-cash loans	**28.874.888**	**26.186.386**	**4.441.956**	**59.503.230**

[1] Includes FX indexed loans amounting to TL 1.147.274 (December 31, 2018 - TL 4.356.033) which have been disclosed as TL in the financial statements.
[2] Does not include foreign currency prepaid expenses amounting to TL 330.310 (December 31, 2018 - TL 291.474).
[3] Does not include foreign currency other comprehensive income and expense under equity.
[4] Other FC column also includes gold balance.
[5] Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

	Current Period	Prior Period
Change in currency exchange rates [1]	**Profit/loss effect [2]**	**Profit/loss effect [1]**
(+) 15%	(148.104)	(154.786)
(-) 15%	148.104	154.786

[1] Represents the balances of the Parent Bank.
[2] Excluding tax effect.

5. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/FC and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

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

5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.217.128	-	-	-	-	24.268.802	**43.485.930**
Banks	11.976.949	1.489.545	801.074	64.231	-	12.879.989	**27.211.788**
Financial assets at fair value through profit/loss	-	162	4.536	13.874	75.296	479.329	**573.197**
Receivables from money markets	10.803.630	-	-	-	-	-	**10.803.630**
Financial assets at fair value through other comprehensive income	2.795.718	5.877.816	9.044.577	6.900.060	2.202.096	80.345	**26.900.612**
Loans (1)	34.443.764	32.068.141	76.404.792	86.334.621	14.039.572	1.189.720	**244.480.610**
Financial assets measured at amortised cost	6.066.570	3.938.811	5.053.572	3.709.314	10.839.870	-	**29.608.137**
Other assets	953.026	1.413.564	1.165.593	1.238.766	308.582	23.051.585	**28.131.116**
Total assets	**86.256.785**	**44.788.039**	**92.474.144**	**98.260.866**	**27.465.416**	**61.949.770**	**411.195.020**
Liabilities							
Bank deposits	3.857.173	49.427	12.299	-	-	1.138.876	**5.057.775**
Other deposits	134.497.570	28.344.401	8.846.851	2.285.622	272.471	51.767.007	**226.013.922**
Funds from money market	5.201.232	317.793	789.863	-	-	-	**6.308.888**
Miscellaneous payables	-	-	-	-	-	14.697.241	**14.697.241**
Marketable securities issued	3.123.877	13.806.731	8.290.583	-	-	-	**25.221.191**
Funds borrowed from other financial institutions	6.624.057	19.373.853	14.005.520	3.711.567	1.658.498	-	**45.373.495**
Other liabilities(2)	4.826.893	13.827.593	863.319	14.687.916	5.557.515	48.759.272	**88.522.508**
Total liabilities	**158.130.802**	**75.719.798**	**32.808.435**	**20.685.105**	**7.488.484**	**116.362.396**	**411.195.020**
Balance sheet long position	**-**	**-**	**59.665.709**	**77.575.761**	**19.976.932**	**-**	**157.218.402**
Balance sheet short position	**(71.874.017)**	**(30.931.759)**	**-**	**-**	**-**	**(54.412.626)**	**(157.218.402)**
Off-balance sheet long position	14.532.346	35.990.412	-	-	-	-	50.522.758
Off-balance sheet short position	-	-	(5.150.258)	(38.927.418)	(5.444.707)	-	(49.522.383)
Total position	**(57.341.671)**	**5.058.653**	**54.515.451**	**38.648.343**	**14.532.225**	**(54.412.626)**	**1.000.375**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.927.180	-	-	-	-	29.904.128	**56.831.308**
Banks	1.054.624	788.121	1.506.119	84.687	-	1.836.089	**5.269.640**
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	179.813	**248.156**
Receivables from money markets	12.318	84.708	20.205	-	-	-	**117.231**
Financial assets at fair value through other comprehensive income	3.051.441	5.368.953	8.543.658	6.677.678	3.175.156	66.794	**26.883.680**
Loans [(1)]	39.696.958	34.672.686	76.379.072	73.130.920	12.319.526	(1.231.206)	**234.967.956**
Financial assets measured at amortised cost	4.328.097	2.591.160	2.419.269	3.586.492	9.880.661	-	**22.805.679**
Other assets	1.077.966	2.467.754	1.782.536	3.296.959	489.372	17.138.017	**26.252.604**
Total assets	**76.148.584**	**45.973.387**	**90.651.796**	**86.791.480**	**25.917.372**	**47.893.635**	**373.376.254**
Liabilities							
Bank deposits	8.826.637	337.899	230.691	-	-	1.012.074	**10.407.301**
Other deposits	115.485.681	36.179.812	10.339.682	2.577.490	195.126	35.106.381	**199.884.172**
Funds from money market	2.093.895	443.570	982.748	-	-	-	**3.520.213**
Miscellaneous payables	-	-	-	-	-	14.662.414	**14.662.414**
Marketable securities issued	680.654	5.088.792	3.257.971	9.870.672	2.544.114	-	**21.442.203**
Funds borrowed from other financial institutions	9.335.403	22.115.474	7.032.452	6.690.421	1.898.252	-	**47.072.002**
Other liabilities[(2)]	1.692.331	17.375.026	7.193.432	1.938.715	604.114	47.584.331	**76.387.949**
Total liabilities	**138.114.601**	**81.540.573**	**29.036.976**	**21.077.298**	**5.241.606**	**98.365.200**	**373.376.254**
Balance sheet long position	**-**	**-**	**61.614.820**	**65.714.182**	**20.675.766**	**-**	**148.004.768**
Balance sheet short position	**(61.966.017)**	**(35.567.186)**	**-**	**-**	**-**	**(50.471.565)**	**(148.004.768)**
Off-balance sheet long position	13.237.750	31.963.808	-	-	-	-	45.201.558
Off-balance sheet short position	-	-	(3.722.500)	(33.959.108)	(7.726.791)	-	(45.408.399)
Total position	**(48.728.267)**	**(3.603.378)**	**57.892.320**	**31.755.074**	**12.948.975**	**(50.471.565)**	**(206.841)**

(1) Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.

(2) Shareholders' equity is presented under"Non interest bearing"

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

5.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets[1]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	1,11	1,74	-	11,08
Financial assets at fair value through profit/loss	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,63
Financial assets at fair value through other comprehensive income	3,34	5,37	-	13,32
Loans	4,73	6,94	5,15	16,81
Financial assets measured at amortised cost	2,64	5,55	-	13,46
Liabilities[1]				
Bank deposits	0,14	2,01	-	11,31
Other deposits	0,66	2,18	0,30	10,96
Funds from money market	1,90	2,50	-	10,11
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,68	5,10	-	11,87
Funds borrowed from other financial institutions	2,19	4,07	2,64	13,08

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets[1]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,99	-	17,58
Banks	1,55	1,85	-	22,81
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Money market placements	0,01	-	-	26,93
Available-for-sale financial assets	4,10	5,46	-	18,65
Loans	4,90	7,40	5,15	19,46
Held-to-maturity investments	2,82	5,42	-	18,23
Liabilities[1]				
Bank deposits	1,24	2,71	-	24,46
Other deposits	1,94	4,27	1,85	22,13
Funds from money market	0,10	4,46	-	22,69
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,16	5,10	-	19,69
Funds borrowed from other financial institutions	1,87	4,44	2,64	16,41

[1] Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank doesn't function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Parent Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 56% of total liabilities of the Bank (December 31, 2018 - 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Parent Bank. In addition to the Bank LKO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey (“CBRT”) accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist ofSovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

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

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on simple arithmetic averages

	Unweighted Amounts		Weighted Amounts	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			87.661.333	44.566.242
Cash Outflows				
Retail and Small Business Customers Deposits	138.109.713	71.559.646	12.280.972	7.155.880
Stable deposits	30.599.984	1.683	1.529.999	84
Less stable deposits	107.509.729	71.557.963	10.750.973	7.155.796
Unsecured Funding other than Retail and Small Business Customers Deposits	90.172.839	48.305.280	50.585.312	24.298.061
Operational deposits	-	-	-	-
Non-Operational deposits	67.057.937	41.881.649	30.795.420	17.874.430
Other Unsecured funding	23.114.902	6.423.631	19.789.893	6.423.631
Secured funding			40.724	20.838
Other Cash Outflows	2.163.856	2.442.546	2.163.856	2.442.546
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.163.856	2.442.546	2.163.856	2.442.546
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	98.352.547	67.979.626	4.917.627	3.398.981
Other irrevocable or conditionally revocable commitments	82.967.517	16.614.348	8.403.838	4.111.332
Total Cash Outflows			**78.392.329**	**41.427.638**
Cash Inflows				
Secured Lending Transactions	-	-	51.966	-
Unsecured Lending Transactions	38.959.285	24.828.509	31.505.959	22.337.694
Other contractual cash inflows	677.894	25.548.194	677.894	25.548.194
Total Cash Inflows	**39.637.179**	**50.376.703**	**32.235.819**	**47.885.888**
				Capped Amounts
Total High Quality Liquid Assets			**87.661.333**	**44.566.242**
Total Net Cash Outflows			**46.156.510**	**10.356.909**
Liquidity Coverage Ratio (%)			**189,92**	**430,30**

The dates and values ofminimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October, 11 2019	November 1, 2019	November 29,2019	December 20, 2019
Ratio(%)	385,94	165,84	539,87	212,23

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

Simple arithmetic average calculated for the last three months of 2018 liquidity coverage ratio by using the amounts calculated based on simple arithmetic averages

	Unweighted Amounts		Weighted Amounts	
Prior Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.363.955	44.615.297
Cash Outflows				
Retail and Small Business Customers Deposits	117.062.064	56.132.353	10.549.624	5.613.177
Stable deposits	23.131.651	1.161	1.156.583	58
Less stable deposits	93.930.413	56.131.192	9.393.041	5.613.119
Unsecured Funding other than Retail and Small Business Customers Deposits	91.519.027	56.615.062	50.542.765	28.231.119
Operational deposits	-	-	-	-
Non-Operational deposits	70.939.732	49.721.502	32.717.588	21.338.775
Other Unsecured funding	20.579.295	6.893.560	17.825.177	6.892.344
Secured funding	-	-	70.039	69.517
Other Cash Outflows	9.572.692	16.589.239	9.572.692	16.589.239
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.572.692	16.589.239	9.572.692	16.589.239
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheetliabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	95.711.522	67.934.687	4.785.576	3.396.734
Other irrevocable or conditionally revocable commitments	78.407.939	17.588.666	6.129.908	1.277.846
Total Cash Outflows			**81.650.604**	**55.177.632**
Cash Inflows				
Secured Lending Transactions	-	-	467	-
Unsecured Lending Transactions	35.311.991	19.588.304	26.372.518	16.764.278
Other Contractual Cash Inflows	2.183.137	18.712.636	2.183.137	18.712.637
Total Cash Inflows	**37.495.128**	**38.300.940**	**28.556.122**	**35.476.915**
				Capped Amounts
Total High Quality Liquid Assets			**72.363.955**	**44.615.297**
Total Net Cash Outflows			**53.094.483**	**19.700.717**
Liquidity Coverage Ratio (%)			**136,29**	**226,47**

The dates and values ofminimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2018 for the Parent Bank are explained in the table below.

	Minimum FC (%)	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	December 21, 2018	October 5, 2018	October 12, 2018	December 21, 2018
Ratio(%)	159,71	122,64	228,13	148,69

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified [1][2]	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	29.135.078	14.350.852	-	-	-	-	-	43.485.930
Banks	12.879.989	11.976.949	1.489.545	801.074	64.231	-	-	27.211.788
Financial assets at fair value through profit or loss	4.997	-	162	4.536	13.874	75.296	474.332	573.197
Receivables from money markets	-	10.803.630	-	-	-	-	-	10.803.630
Financial assets at fair value through other comprehensive income	-	603.496	361.500	3.825.147	16.955.287	5.074.837	80.345	26.900.612
Loans[1]	-	34.527.377	24.888.502	61.136.517	99.725.683	23.012.811	1.189.720	244.480.610
Financial assets measured at amortised cost	-	245.446	751.890	1.412.070	11.874.660	15.324.071	-	29.608.137
Other assets	4.474.150	547.800	879.239	1.057.870	1.636.661	985.939	18.549.457	28.131.116
Total assets	**46.494.214**	**73.055.550**	**28.370.838**	**68.237.214**	**130.270.396**	**44.472.954**	**20.293.854**	**411.195.020**
Liabilities								
Bank deposits	1.138.876	3.857.173	49.427	12.299	-	-	-	5.057.775
Other deposits	51.767.007	133.895.170	28.354.410	9.431.488	2.293.376	272.471	-	226.013.922
Funds borrowed from other financial institutions	-	4.022.053	2.709.944	30.167.543	5.075.551	3.398.404	-	45.373.495
Funds from money market	-	5.201.183	317.793	789.912	-	-	-	6.308.888
Marketable securities issued	-	3.181.443	3.629.472	2.446.812	15.653.188	310.276	-	25.221.191
Miscellaneous payables	1.331.380	12.463.139	345.887	236.970	-	-	319.865	14.697.241
Other liabilities[2]	2.608.197	339.798	1.570.184	1.963.573	26.938.834	11.298.970	43.802.952	88.522.508
Total liabilities	**56.845.460**	**162.959.959**	**36.977.117**	**45.048.597**	**49.960.949**	**15.280.121**	**44.122.817**	**411.195.020**
Net liquidity gap	**(10.351.246)**	**(89.904.409)**	**(8.606.279)**	**23.188.617**	**80.309.447**	**29.192.833**	**(23.828.963)**	**-**
Net Off-Balance Sheet Position	**-**	**(206.595)**	**78.957**	**165.459**	**114.246**	**848.308**	**-**	**1.000.375**
Derivative Financial Assets	-	43.907.013	37.444.102	32.460.190	69.759.199	39.707.893	-	223.278.397
Derivative Financial Liabilities	-	44.113.608	37.365.145	32.294.731	69.644.953	38.859.585	-	222.278.022
Non-Cash Loans	**-**	**2.432.558**	**11.994.741**	**31.384.826**	**14.781.144**	**4.932.327**	**24.038.885**	**89.564.481**
Prior Period								
Total assets	42.378.411	62.312.795	27.280.537	63.169.427	121.014.446	46.150.267	11.070.371	373.376.254
Total liabilities	40.952.817	146.026.076	55.214.254	46.381.480	31.622.257	11.505.641	41.673.729	373.376.254
Liquidity gap	**1.425.594**	**(83.713.281)**	**(27.933.717)**	**16.787.947**	**89.392.189**	**34.644.626**	**(30.603.358)**	**-**
Net Off-Balance Sheet Position	**-**	**(902.831)**	**277.849**	**105.446**	**(359.509)**	**672.204**	**-**	**(206.841)**
Derivative Financial Assets	-	48.551.700	19.488.079	30.856.012	67.131.478	35.775.387	-	201.802.656
Derivative Financial Liabilities	-	49.454.531	19.210.230	30.750.566	67.490.987	35.103.183	-	202.009.497
Non-Cash Loans	**-**	**3.400.820**	**8.544.541**	**29.612.655**	**13.710.204**	**6.209.896**	**24.307.073**	**85.785.189**

[1] Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.
[2] Shareholders' equity is presented in the "Unclassified" column.

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

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	191.729.202	28.743.361	9.809.052	2.306.455	277.572	232.865.642
Borrowings	4.075.472	3.038.931	31.801.366	8.328.092	6.320.440	53.564.301
Funds from money market	5.209.797	321.037	794.202	-	-	6.325.036
Subordinated loans	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338
Marketable securities issued	3.317.098	3.657.316	2.469.354	16.470.672	621.668	26.536.108
Total	**204.630.156**	**35.968.774**	**45.871.504**	**46.615.523**	**11.867.468**	**344.953.425**

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	161.540.983	37.838.275	11.319.874	2.595.039	195.126	213.489.297
Borrowings	5.082.465	6.125.162	24.127.513	12.611.773	6.752.919	54.699.832
Funds from money market	2.111.549	446.183	1.003.309	-	-	3.561.041
Subordinated loans	-	204.319	622.570	13.598.201	3.189.421	17.614.511
Marketable securities issued	958.512	2.495.592	3.860.371	13.298.497	3.020.060	23.633.032
Total	**169.693.509**	**47.109.531**	**40.933.637**	**42.103.510**	**13.157.526**	**312.997.713**

[1] Maturities of non-cash loans are described in Note 3 of Section V.

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

8. Explanations on consolidated leverage ratio:

The main reason for the increase in leverage ratio for the current period is the increase in Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period[2]	PriorPeriod[2]
1	Total assets in the consolidated financial statements prepared in accordance with TAS[1]	395.781.598	377.436.485
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	1.994.413	2.274.785
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	1.160.136	4.916.012
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.342.551)	(6.370.030)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(19.949.270)	(15.747.074)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.242.640	(8.483.428)
7	Total Risks	584.950.872	549.163.000

[1] The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

[2] The arithmetic average of the last 3 months in the related periods.

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

		Current Period[1]	PriorPeriod[1]
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	399.276.954	368.518.621
2	(Asset amounts deducted in determining Tier 1 capital)	(3.974.767)	(5.976.314)
3	Total on-Balance sheet exposures	395.302.187	362.542.307
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	2.668.361	2.699.516
5	Potential credit risk of derivative financial instruments and credit derivatives	1.160.136	4.916.012
6	Total derivative financial instruments and credit derivatives exposure	3.828.497	7.615.528
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	448.597	470.170
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	448.597	470.170
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	205.320.860	194.282.069
11	(Adjustments for conversion to credit equivalent amounts)	(19.949.270)	(15.747.074)
12	Total risk of off-balance sheet items	185.371.590	178.534.995
	Capital and total exposure		
13	Tier 1 capital	44.368.728	34.298.597
14	Total exposures	584.950.872	549.163.000
15	**Leverage ratio (%)**	**7,60**	**6,26**

[1] The arithmetic average of the last 3 months in the related periods.

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

9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book value Current period	Fair value Current period
Financial assets	**357.177.394**	**373.422.645**
Due from money market	10.803.630	10.803.630
Banks	27.211.788	28.003.202
Financial assets at fair value through other comprehensive income	26.900.612	26.900.612
Financial assets measured at amortised cost	29.608.137	28.863.097
Loans	262.653.227	278.852.104
Financial liabilities	**348.128.268**	**350.121.059**
Bank deposits	5.057.775	5.059.558
Other deposits	226.013.922	225.912.616
Funds borrowed from other financial institutions	45.373.495	45.144.765
Financial liabilities fair value through profit and loss	13.184.605	13.184.605
Subordinated loans	18.580.039	20.399.518
Marketable securities issued	25.221.191	25.722.756
Miscellaneous payables	14.697.241	14.697.241

	Book value Prior period	Fair value Prior period
Financial assets	**304.575.677**	**313.227.842**
Due from money market	117.231	117.231
Banks	5.269.563	5.280.916
Financial assets at fair value through other comprehensive income	26.883.680	26.883.680
Financial assets measured at amortised cost	22.805.679	27.598.896
Loans	249.499.524	253.347.119
Financial liabilities	**314.990.649**	**314.740.848**
Bank deposits	10.407.301	10.407.301
Other deposits	199.884.172	199.842.689
Funds borrowed from other financial institutions	47.072.002	46.902.531
Financial liabilities fair value through profit and loss	7.965.404	7.965.404
Subordinated loans	13.557.153	13.596.916
Marketable securities issued	21.442.203	21.363.593
Miscellaneous payables	14.662.414	14.662.414

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

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

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	104.660	269.484	199.053	573.197
Financial assets where fair value change is reflected to other comprehensive income statement	24.760.918	2.126.075	-	26.886.993
Derivative financial assets	-	4.749.581	-	4.749.581
Total assets	**24.865.578**	**7.145.140**	**199.053**	**32.209.771**
Derivative financial liabilities	-	7.105.282	-	7.105.282
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Total liabilities	**-**	**20.289.887**	**-**	**20.289.887**

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	77.634	170.522	-	248.156
Financial assets where fair value change is reflected to other comprehensive income statement	24.958.228	1.914.835	-	26.873.063
Derivative financial assets	-	9.067.984	-	9.067.984
Total assets	**25.035.862**	**11.153.341**	**-**	**36.189.203**
Derivative financial liabilities	-	7.287.749	-	7.287.749
Financial liabilities at fair value through profit or loss	-	7.965.404	-	7.965.404
Total liabilities	**-**	**15.253.153**	**-**	**15.253.153**

The Group classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2019:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

If the fair value of the hedging instrument within fair value hedge ("FVH") is positiveit is classified under, "Derivative financial assets at fair value through profit or loss"; if the fair valueis negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under" Derivative financial assets at fair value through other comprehensive income " if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through other comprehensive income ".

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

Cross currency interest rate swaps and interest rate swaps are used as hedging instrument in FVH. Interest rate swaps, currency swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2019 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional[1]	Asset	Liability	Notional[1]	Asset	Liability
Hedging instrument						
Interest rate swaps/ currency swaps/cross currency swaps (CFH)	49.943.888	297.126	2.891.167	46.404.018	3.169.086	611.406
Interest rate swaps/Cross currency interest rate swaps (FVH)	2.049.160	36.266	316.376	2.215.979	80.703	313.994
Total	**51.993.048**	**333.392**	**3.207.543**	**48.619.997**	**3.249.789**	**925.400**

[1] Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 51.474.952 (December 31, 2018 - TL 48.640.730) the total notional of derivative financial assets amounting to TL 103.468.000 (December 31, 2018 - TL 97.260.727) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3. Part 4.

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using interest rates swaps and cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39- Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below;

Current Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustmentof the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[3]
				Asset	Liability	
Interest rate swaps/ Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	(19.636)

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustmentof the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[3]
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	20.740

[1] The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

[2] The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

[3] The ineffective portion of the mentioned hedging transaction is TL 5.896 income (December 31 2018- TL 31.652 income).

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

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

10.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps, currency swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds[1]	Net gain/(loss) reclassified to equity[2][3]
			Asset	Liability		
Interest rate swaps/ currency swaps/Cross currency interest rate swaps	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	(1.462.792)	(3.206.096)

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds[1]	Net gain/(loss) reclassified to equity[2][3]
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	3.169.086	611.406	1.743.304	906.613

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 422.890 income (December 31, 2018 - TL 41.508 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2019 is EUR 452 million (December 31, 2018 - EUR 430 million).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

12. Explanations on consolidated operating segments:

The Group carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking.

The Parent Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking, ME and SME banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, SME Banking Packages, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Parent Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory.

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

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset - Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments [1]	Total operations of the Group
Operating revenue continuing	A	9.891.868	396.300	1.129.444	58.571	(13.810)	21.118.239
Operating expenses continuing	(6.669.444)	(5.894.790)	(190.710)	(460.874)	(3.493.375)	13.810	(16.695.383)
Net operating income continuing	**2.986.422**	**3.997.078**	**205.590**	**668.570**	**(3.434.804)**	**-**	**4.422.856**
Dividend income [2]	-	-	-	-	16.972	-	16.972
Income/Loss from Investments accounted based on equity method[2]	-	-	-	-	93.952	-	93.952
Profit before tax	**2.986.422**	**3.997.078**	**205.590**	**668.570**	**(3.323.880)**	**-**	**4.533.780**
Tax expense [2]	-	-	-	-	(933.594)	-	(933.594)
Net period income from continuing operations	**2.986.422**	**3.997.078**	**205.590**	**668.570**	**(4.257.474)**	**-**	**3.600.186**
Minority interest (-)	-	-	-	-	(126)	-	(126)
Group income/loss	**2.986.422**	**3.997.078**	**205.590**	**668.570**	**(4.257.600)**	**-**	**3.600.060**
Segment assets	82.232.054	130.014.639	13.018.351	18.215.607	167.422.208	(957.164)	409.945.695
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.249.325	-	1.249.325
Total assets	**82.232.054**	**130.014.639**	**13.018.351**	**18.215.607**	**168.671.533**	**(957.164)**	**411.195.020**
Segment liabilities	154.441.907	69.577.123	9.688.309	14.964.122	122.289.143	(957.164)	370.003.440
Shareholders' equity	-	-	-	-	41.191.580	-	41.191.580
Total liabilities	**154.441.907**	**69.577.123**	**9.688.309**	**14.964.122**	**163.480.723**	**(957.164)**	**411.195.020**

Prior Period	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments [1]	Total operations of the Group
Operating revenue continuing	8.141.407	6.573.989	385.713	1.008.084	3.806.771	(9.206)	19.906.758
Operating expenses continuing	(5.278.402)	(5.225.362)	(157.034)	(392.913)	(2.944.742)	9.206	(13.989.247)
Net operating income continuing	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**862.029**	**-**	**5.917.511**
Dividend income [2]	-	-	-	-	14.567	-	14.567
Income/Loss from Investments accounted based on equity method[2]	-	-	-	-	115.817	-	115.817
Profit before tax	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**992.413**	**-**	**6.047.895**
Tax expense [2]	-	-	-	-	(1.380.357)	-	(1.380.357)
Net period income from continuing operations	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**(387.944)**	**-**	**4.667.538**
Minority interest (-)	-	-	-	-	(112)	-	(112)
Group income/loss	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**(388.056)**	**-**	**4.667.426**
Segment assets	80.911.357	125.801.320	14.332.022	19.849.689	134.540.954	(3.140.521)	372.294.821
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.081.433	-	1.081.433
Total assets	**80.911.357**	**125.801.320**	**14.332.022**	**19.849.689**	**135.622.387**	**(3.140.521)**	**373.376.254**
Segment liabilities	172.116.780	76.729.909	11.470.565	16.998.446	60.193.797	(3.140.521)	334.368.976
Shareholders' equity	-	-	-	-	39.007.278	-	39.007.278
Total liabilities	**172.116.780**	**76.729.909**	**11.470.565**	**16.998.446**	**99.201.075**	**(3.140.521)**	**373.376.254**

[1] Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

[2] Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

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

Section five

Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1. Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.489.030	3.103.669	1.443.460	3.443.030
The CBRT[1]	999.602	35.841.927	15.313.011	35.417.868
Other	-	2.051.702	-	1.213.939
Total	**2.488.632**	**40.997.298**	**16.756.471**	**40.074.837**

[1] The balance of gold amounting to TL 2.092.586 is accounted for under the Central Bank foreign currency account (December 31, 2018 - TL 4.233.215).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount [1]	999.602	21.554.089	8.416.404	21.436.238
Time unrestricted amount	-	-	6.896.607	-
Time restricted amount	-	-	-	-
Reserve requirement[2]	-	14.287.838	-	13.981.630
Total	**999.602**	**35.841.927**	**15.313.011**	**35.417.868**

[1] The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.
[2] The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2018 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	443.084	80	940.093	133
Swap transactions	2.844.864	1.072.784	3.909.672	664.415
Futures transactions	563	-	-	-
Options	37.260	17.547	256.107	47.662
Other	-	7	72	41
Total	**3.325.771**	**1.090.418**	**5.105.944**	**712.251**

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

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair value hedges [1]	1.690	34.576	-	80.703
Cash flow hedges [1]	254.687	42.439	2.869.353	299.733
Hedges for investments made in foreign countries	-	-	-	-
Total	**256.377**	**77.015**	**2.869.353**	**380.436**

[1] Explained in Note 10 of section 4.

1.4. Information on banks:

1.4.1. Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	3.862.175	3.390.558	231.581	1.877.059
Foreign[1]	264	19.958.791	6.017	3.154.983
Headquarters and branches abroad	-	-	-	-
Total	**3.862.439**	**23.349.349**	**237.598**	**5.032.042**

[1] The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 12.157 (December 31, 2018 -TL 15.594).

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU countries	5.439.439	1.296.679	51.215	329.230
USA, Canada	12.547.270	1.176.416	365.275	242.192
OECD countries [1]	1.395.498	19.495	-	-
Off-shore banking regions	497	196	-	-
Other	98.415	18.529	61.446	78.186
Total	**19.481.119**	**2.511.315**	**477.936**	**649.608**

[1] OECD countries except EU countries, USA and Canada.

1.4.3 Information on money markets receiveables:

As of December 31, 2019 a total of TL 10.803.630 reverse repo transactions with domestic banks are included in the money market receivables (31 December 2018 - TL 262).

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2019 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 1.540.466 (December 31, 2018 -TL 1.292.400) and subject to repo transactions amounts to TL 3.069.033 (December 31, 2018 -TL 959.438).

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

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

	Current Period	Prior Period
Debt securities	26.962.313	27.926.090
Quoted on stock exchange [1]	26.665.302	27.662.947
Not quoted	297.011	263.143
Share certificates	125.783	112.232
Quoted on stock exchange	237	213
Not quoted	125.546	112.019
Impairment provision (-)[2]	187.484	1.154.642
Total	**26.900.612**	**26.883.680**

[1] As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bondswith an amount of TL 1.998.350 has been classified from financial assets at fair value through other comprehensive income to financial assets measured at amortised cost.

[2] Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

1.7. Explanations on loans:

1.7.1 Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	**-**	**-**	**-**	**-**
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**35.013**	**1.199.169**	**90.240**	**1.351.956**
Loans granted to employees	**220.797**	**561**	**172.230**	**510**
Total	**255.810**	**1.199.730**	**262.470**	**1.352.466**

1.7.2 Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

		Loans under close monitoring		
			Loans under restructuring	
Cash Loans	Standard loans	Not under the scope of restructuring	Modifications on agreement conditions	Refinancing
Non-specialized loans	**192.660.808**	**15.150.983**	**2.277.163**	**19.284.094**
Loans given to enterprises	84.855.318	12.010.740	2.009.380	10.226.781
Export loans	14.998.335	501.480	133.662	5.485.804
Import loans	-	-	-	-
Loans given to financial sector	5.196.522	-	-	-
Consumer loans	34.753.239	945.777	531	1.307.886
Credit cards	27.797.548	720.602	-	678.254
Other[1]	25.059.846	972.384	133.590	1.585.369
Specialized loans	-	-	-	-
Other receivables	**12.842.169**	**1.074.901**	**772**	**-**
Total	**205.502.977**	**16.225.884**	**2.277.935**	**19.284.094**

[1] Fair value differences of the hedged items amounting to TL 5.101 are classified in other loans as explained in Note 10, Section 4.

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

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.153.565	-
Significant increase in credit risk	-	4.919.579
Total	**1.153.565**	**4.919.579**

1.7.3. Loans according to their maturity structure:

		Loans under close monitoring	
	Standard loans	Not under the scope of restructuring	Agreement conditions modified
Short-term loans	72.442.549	3.461.999	731.943
Medium and long-term loans	133.060.428	12.763.885	20.830.086
Total	**205.502.977**	**16.225.884**	**21.562.029**

1.7.4. Information on loans by types and specific provisions

1.7.4.1 Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	130.110.021	34.753.239	27.797.548	9.113.207	3.728.962	205.502.977
Watch list	33.059.190	2.254.194	1.398.856	799.235	276.438	37.787.913
Loans under legal follow-up	15.876.347	1.548.208	1.251.995	583.330	102.457	19.362.337
Specific provisions (-)	9.342.081	1.167.057	1.063.002	446.891	80.442	12.099.473
Total	**169.703.477**	**37.388.584**	**29.385.397**	**10.048.881**	**4.027.415**	**250.553.754**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	130.775.909	30.676.654	26.336.206	11.586.324	3.198.087	202.573.180
Watch list	29.135.149	1.946.463	1.678.442	645.155	220.773	33.625.982
Loans under legal follow-up	10.071.226	1.358.436	1.156.509	543.984	170.207	13.300.362
Specific provisions (-)	7.512.095	884.225	598.582	433.729	143.522	9.572.153
Total	**162.470.189**	**33.097.328**	**28.572.575**	**12.341.734**	**3.445.545**	**239.927.371**

1.7.4.2 Specific provisions on loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
Opening balance	**7.512.095**	**884.225**	**598.582**	**433.729**	**143.522**	**9.572.153**
Allowance for impairment	5.397.419	1.014.561	1.012.982	102.370	10.903	7.538.235
Amount recovered during the period(-)	923.136	343.990	187.648	10.407	104	1.465.285
Loans written off during the period as uncollectible (-)	2.664.563	395.477	362.578	78.801	73.879	3.575.298
Exchange difference	13.652	14.146	1.870	-	-	29.668
December 31	**9.335.467**	**1.173.465**	**1.063.208**	**446.891**	**80.442**	**12.099.473**

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

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
31.12.2017 Close out balance	**4.371.011**	**1.470.045**	**1.197.808**	**217.713**	**102.546**	**7.359.123**
TFRS 9 Remeasurement	817.283	74.606	24.086	116.910	1.406	1.034.291
Opening balance	**5.188.294**	**1.544.651**	**1.221.894**	**334.623**	**103.952**	**8.393.414**
Allowance for impairment	4.827.156	1.054.740	515.075	99.106	45.202	6.541.279
Amount recovered during the period(-)	1.522.233	817.874	536.796	-	5.120	2.882.023
Loans written off during the period as uncollectible (-)	999.858	911.908	604.210	-	512	2.516.488
Exchange difference	18.736	14.616	2.619	-	-	35.971
December 31	**7.512.095**	**884.225**	**598.582**	**433.729**	**143.522**	**9.572.153**

1.7.4.3. Fair value of colleterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	16.868.020	423.481	-	799.235	-	18.090.736
Loans under legal follow-up	5.622.970	166.405	-	583.330	-	6.372.705
Total	**22.490.990**	**589.886**	-	**1.382.565**	-	**24.463.441**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	18.506.067	311.152	-	285.410	-	19.102.629
Loans under legal follow-up	4.074.692	138.469	-	498.385	-	4.711.546
Total	**22.580.759**	**449.621**	**-**	**783.795**	**-**	**23.814.175**

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

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	**747.158**	**34.076.431**	**34.823.589**
Real estate loans	6.250	10.462.445	10.468.695
Automotive loans	22.324	599.614	621.938
Consumer loans	718.584	23.014.372	23.732.956
Other	-	-	-
Consumer loans-FC indexed	-	**16.389**	**16.389**
Real estate loans	-	16.389	16.389
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	**13.288**	**83.033**	**96.321**
Real estate loans	321	26.766	27.087
Automotive loans	171	241	412
Consumer loans	11.108	49.768	60.876
Other	1.688	6.258	7.946
Individual credit cards-TL	**20.136.709**	**648.539**	**20.785.248**
With installments	10.205.703	180.583	10.386.286
Without installments	9.931.006	467.956	10.398.962
Individual credit cards-FC	**72.470**	**23.216**	**95.686**
With installments	44.069	23.216	67.285
Without installments	28.401	-	28.401
Personnel loans-TL	**13.803**	**80.254**	**94.057**
Real estate loans	-	1.781	1.781
Automotive loans	90	201	291
Consumer loans	13.713	78.272	91.985
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	**115**	**1.233**	**1.348**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	115	1.233	1.348
Other	-	-	-
Personnel credit cards-TL	**120.400**	**352**	**120.752**
With installments	55.194	250	55.444
Without installments	65.206	102	65.308
Personnel credit cards-FC	**860**	**206**	**1.066**
With installments	346	206	552
Without installments	514	-	514
Credit deposit account-TL (Real Person)[(1)]	**1.975.727**	-	**1.975.727**
Credit deposit account-FC (Real Person)	**2**	-	**2**
Total	**23.080.532**	**34.929.653**	**58.010.185**

(1) TL 3.574 of the credit deposit account belongs to the loans used by personnel.

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

1.7.6. Information on commercial installment loans and corporate credit cards:

	Short- term	Medium and long-term	Total
Commercial installments loans-TL	**609.710**	**17.381.837**	**17.991.547**
Business loans	473	1.153.478	1.153.951
Automotive loans	49.115	705.539	754.654
Consumer loans	560.122	15.522.820	16.082.942
Commercial installments loans-FC indexed	-	**47.147**	**47.147**
Business loans	-	3.657	3.657
Automotive loans	-	11.461	11.461
Consumer loans	-	32.029	32.029
Corporate credit cards-TL	**8.126.301**	**66.014**	**8.192.315**
With installment	5.454.526	53.099	5.507.625
Without installment	2.671.775	12.915	2.684.690
Corporate credit cards-FC	**1.337**	-	**1.337**
With installment	-	-	-
Without installment	1.337	-	1.337
Credit deposit account-TL (legal person)	**984.007**	-	**984.007**
Total	**9.721.355**	**17.494.998**	**27.216.353**

1.7.7. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Public	2.891.413	1.959.146
Private	240.399.477	234.240.016
Total	**243.290.890**	**236.199.162**

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	236.169.712	228.447.608
Foreign loans	7.121.178	7.751.554
Total	**243.290.890**	**236.199.162**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	4.654	8.537
Indirect loans granted to associates and subsidiaries	-	-
Total	**4.654**	**8.537**

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

1.7.10. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans and other receivables with limited collectability	1.896.265	1.210.885
Loans and other receivables with doubtful collectability	1.999.521	1.703.093
Uncollectible loans and other receivables	8.203.687	6.658.175
Total	**12.099.473**	**9.572.153**

1.7.11. Information on non-performing loans (net):

1.7.11.1 Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	**187.399**	**238.221**	**930.876**
Restructured loans	187.399	238.221	930.876
Prior Period			
(Gross amounts before specific reserves)	**57.548**	**109.283**	**324.606**
Restructured loans	57.548	109.283	324.606

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period[1]	**2.920.768**	**2.701.936**	**7.677.658**
Additions (+)	8.961.067	1.082.259	1.520.485
Transfers from other categories of non-performing loans (+)	-	7.808.234	7.183.783
Transfer to other categories of non- performing loans (-)	7.808.234	7.183.783	-
Collections (-)	440.572	637.077	893.654
FX valuation differences	99	462	44.204
Write-offs (-)[2]	-	-	853.886
Sold (-)	-	-	2.721.412
Corporate and commercial loans	-	-	1.898.751
Consumer loans	-	-	386.955
Credit cards	-	-	361.827
Other	-	-	73.879
Current Period	**3.633.128**	**3.772.031**	**11.957.178**
Provision (-)	1.896.265	1.999.521	8.203.687
Net balance on balance sheet	**1.736.863**	**1.772.510**	**3.753.491**

As of December 31, 2019, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Group has written off corporate and commercial loans amounting to TL817.316 that are classified under Group 5, more than 540 days overdue and after collaterals deducted 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 7,66% to 7,37%.

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

Non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 2.568.732 have been sold to a selection of asset management companies for a total amount of TL 91.926.

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period			
Period end balance	2.052.238	1.878.526	4.470.186
Provision amount(-)	1.061.495	760.092	2.425.448
Net balance on-balance sheet	**990.743**	**1.118.434**	**2.044.738**
Prior Period			
Period end balance	1.305.753	1.360.289	1.050.266
Provision amount(-)	426.159	842.942	947.762
Net balance on-balance sheet	**879.594**	**517.347**	**102.504**

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period (net)	**1.736.863**	**1.772.510**	**3.753.491**
Loans granted to real persons and corporate entities (gross)	3.633.128	3.772.031	11.844.095
Provision amount (-)	1.896.265	1.999.521	8.090.604
Loans granted to real persons and corporate entities (net)	1.736.863	1.772.510	3.753.491
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	**1.709.883**	**998.843**	**1.019.483**
Loans granted to real persons and corporate entities (gross)	2.920.768	2.701.936	7.564.487
Provision amount (-)	1.210.885	1.703.093	6.545.004
Loans granted to real persons and corporate entities (Net)	1.709.883	998.843	1.019.483
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

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

1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	**77.251**	**72.178**	**133.953**
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount (-)	189.743	172.919	555.940
Prior Period (net)	**63.343**	**54.249**	**9.997**
Interest accruals and rediscounts and valuation differences	226.817	261.143	92.601
Provision amount (-)	163.474	206.894	82.604

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected as "loans and other receivables with limited collectability" and "loans and other receivables with doubtful collectability" by restructuring and/or voluntary payments and liquidation of collaterals through legal follow-up.

1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Parent Bank, in line with TFRS 9, may write off part of the loans for which the Parent Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due to the default of debtor, starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Parent Bank's right to receive.

1.8. Information on financial assets at amortized cost:

1.8.1. Information on Financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2019 financial assets measured at amortised cost given as collateral/blocked amounts to TL 14.201.277 (December 31, 2018: TL 9.738.610) and subject to repo transactions amounts to TL 1.163.698 (December 31, 2018: TL 862.058)

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	28.391.511	22.044.650
Treasury bill	-	-
Other debt securities	1.216.626	761.029
Total	**29.608.137**	**22.805.679**

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

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	30.482.598	23.446.720
Quoted on stock exchange	30.482.598	23.446.720
Not quoted	-	-
Impairment provision (-)[1]	874.461	641.041
Total	**29.608.137**	**22.805.679**

[1] Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	**22.805.679**	**14.197.066**
Foreign currency differences on monetary assets[1]	2.184.664	4.794.227
Purchases during year	5.269.230	4.065.376
Transfers[2]	-	1.998.350
Disposals through sales and redemptions	418.016	1.985.886
Impairment provision (-)[3]	233.420	263.454
Period end balance	**29.608.137**	**22.805.679**

[1] Also includes the changes in the interest income accruals.
[2] As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been classified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost"in prior period.
[3] Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu[1]	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş.[1]	Istanbul/Türkiye	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	348.965	224.008	234.334	8.774	-	26.579	34.818	-
2	147.868	93.468	65.949	3.852	-	28.503	15.603	-

[1] Financial statement information disclosed above shows September 30, 2019 results.

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

1.9.3. Consolidated investments in associates:

1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)[1]
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

[1] The other shareholders represent the consolidated Group companies.

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	20.073.873	3.266.221	23.116	482.897	59.079	180.015	153.142	-
2	2.158.616	840.213	121.172	236.341	-	354.675	270.477	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**1.046.867**	**772.025**
Movements during the period	**166.742**	**274.842**
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	92.802	113.038
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries[1]	119.481	201.522
Impairment provision (-)[2]	45.541	39.718
Balance at the end of the period	**1.213.609**	**1.046.867**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

[1] Includes dividend income received in the current period.

[2] Includes the differences in the other comprehensive income related with the equity method accounting

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	902.257	784.140
Insurance companies	311.352	262.727
Total financial investments	**1.213.609**	**1.046.867**

1.9.8. Investments in associates quoted on stock exchange:

None. (December 31, 2018-None)

1.10. Information on subsidiaries (net):

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

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

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in Capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	95.737	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	52.830	(1.717)	2.154	(1.066)	-
Other comprehensive income that will be classified under profit or loss	25	-	-	-	1.547.201
Legal Reserves	62.493	8.034	79.305	27.469	-
Extraordinary Reserves	166.189	137.940	659.399	-	789.856
Other Profit Reserves	-	-	-	-	-
Income or Loss	42.799	212.279	1.637.702	46.972	133.933
Current Year Income/Loss	112.745	110.521	361.715	46.972	133.933
Prior Years' Income/Loss	(69.946)	101.758	1.275.987	-	-
Leasehold improvements (-)	180	214	-	227	253
Intangible assets (-)	28.974	3.585	11.545	526	3.272
Total core capital	**489.837**	**413.451**	**2.539.839**	**80.264**	**2.579.907**
Supplementary capital	**25.701**	**43**	**1.322**	**-**	**9.720**
Capital	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2019.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated ICAAP report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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

1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	İstanbul/Türkiye	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3	Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	48.611	33.427	1.645	1	-	6.326	2.013	-
2	56.327	43.485	4.795	5.322	-	12.156	3.888	-
3	16.229	11.961	908	1.464	-	3.796	4.267	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi NV (1)	Amsterdam/Nederlands	67,24	100,00
7	Yapı Kredi Azerbaycan	Bakü/Azerbaijan	99,80	100,00
8	Yapı Kredi Malta	St.Julian/Malta	-	100,00

(1) Includes the balances for Stiching Custody Services YKB.

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

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

1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value	Required equity
1	234.411	234.079	-	-	-	(134)	153	-	-
2	4.253.032	518.991	52.149	181.010	24.137	112.745	100.252	-	-
3	3.400.019	417.250	8.277	418.982	-	110.521	98.223	-	-
4	10.783.161	2.551.384	15.379	938.957	-	361.715	331.168	-	-
5	96.621	81.017	913	12.481	-	46.972	36.014	-	-
6	10.745.614	2.583.432	11.692	570.690	19.381	133.933	155.325	-	-
7	1.561.521	322.354	64.587	79.200	8.784	19.056	11.936	-	-
8	697.255	410.628	299	25.735	825	3.995	4.202	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**5.971.254**	**4.800.064**
Movements during the period	**917.699**	**1.171.190**
Purchases	-	-
Free shares obtained profit from current years share	335	-
Share of current year income	760.710	707.668
Sales(-)	-	-
Revaluation (decrease) / increase [1]	324.148	511.903
Impairment provision (-)[2]	167.494	48.381
Balance at the end of the period	**6.888.953**	**5.971.254**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

[1] Includes the differences in the other comprehensive income of consolidated subsidiaries. Prior periods includes the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.
[2] Includes dividend income received in the current period.

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

Financial Subsidiaries	Current Period	Prior Period
Banks	2.058.889	1.755.210
Insurance companies	-	-
Factoring companies	417.051	306.915
Leasing companies	2.551.230	2.185.240
Finance companies	-	-
Other financial subsidiaries	1.861.783	1.723.889
Total financial subsidiaries	**6.888.953**	**5.971.254**

1.10.6. Subsidiaries quoted on stock exchange:

None. (December 31, 2018-None)

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

1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Totalasset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.470	82.317	36.962	60.508	8.393	55.780	51.626
Total			**97.470**	**82.317**	**36.962**	**60.508**	**8.393**	**55.780**	**51.626**

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

		Current Period		Prior Period
	Gross	Net	Gross	Net
Less than 1 year	4.446.913	3.762.575	5.516.800	4.568.759
Between 1- 4 years	5.899.442	4.950.006	7.588.989	6.578.470
More than 4 years	1.950.347	1.783.191	1.803.181	1.628.234
Total	**12.296.702**	**10.495.772**	**14.908.970**	**12.775.463**

1.12.2. Information for net investments in finance leases:

		Current Period		Prior Period
	TL	FC	TL	FC
Gross lease receivables	3.117.745	9.178.957	3.403.167	11.505.586
Unearned financial income from leases (-)	630.276	1.170.654	703.195	1.430.095
Amount of cancelledleases (-)	-	-	-	-
Total	**2.487.469**	**8.008.303**	**2.699.972**	**10.075.491**

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

1.13. Information on on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets [1]	Other tangible fixed assets	Total
Prior Period						
Cost	3.556.036	263.572	2.980	-	1.470.997	5.293.585
Accumulated depreciation (-)	921.521	254.624	2.698	-	802.567	1.981.410
Net book value	**2.634.515**	**8.948**	**282**	**-**	**668.430**	**3.312.175**
Current Period						
Net book value at beginning of the period	**2.634.515**	**8.948**	**282**	**-**	**668.430**	**3.312.175**
Opening balance (IFRS16)	**-**	**-**	**-**	846.301	-	846.301
Additions	13.812	-	-	496.805	313.143	823.760
Disposals (-), net	6.516	22	-	132.823	2.075	141.436
Reversal of impairment, net	-	-	-	-	119	119
Impairment (-)	-	-	-	-	-	-
Depreciation (-)	26.465	2.813	138	283.931	171.100	484.447
Foreign exchange differences,net	-	846	5	-	1.576	2.427
Net book value at end of the period	**2.615.346**	**6.959**	**149**	**926.352**	**810.093**	**4.358.899**
Cost at the end of the period	3.535.914	239.385	3.024	1.158.073	1.686.364	6.622.760
Accumulated depreciation at the period end (-)	920.568	232.426	2.875	231.721	876.271	2.263.861
Net book value	**2.615.346**	**6.959**	**149**	**926.352**	**810.093**	**4.358.899**

[1] Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2019, the Parent Bank had total provision for impairment amounting to TL 207.255 (December 31, 2018 - TL 207.255) for the property and equipment.

1.14. Information on investment property:

	Current Period	Previous Period
Net book value at the beginning of the period	**1.817.112**	**1.682.226**
Additions	258.471	244.086
Disposals (-), net	7	-
Transfer	38	-
Impairment provision reversal	-	-
Depreciation (-)	157.994	116.088
Translation differences	3.204	6.888
Net book value at the end of the period	**1.920.824**	**1.817.112**

1.15. Information on investment property:

None. (December 31, 2018 - None).

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

1.16. Information on deferred tax asset

	Current Period		Prior Period	
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Expected Credit Losses	6.668.891	1.469.385	5.530.794	1.217.225
Derivative financial liabilities	2.053.919	445.784	-	-
Pension fund provision	1.178.063	259.174	921.350	202.697
Temporary differences	781.092	171.792	682.268	150.055
Valuation difference of securities portfolio	205.288	45.163	2.224.089	489.300
Subsidiaries, investment in associates and share certificates	132.758	29.207	122.186	26.881
Other	2.249.793	493.107	1.335.838	292.680
Total deferred tax asset	**13.269.804**	**2.913.612**	**10.816.525**	**2.378.838**
Property, equipment and intangibles, net	(2.788.950)	(365.447)	(2.443.778)	(293.216)
Valuation difference of securities portfolio	(775.826)	(170.683)	(3.687.572)	(811.266)
Derivative financial assets	-	-	(1.780.235)	(378.426)
Other	(1.181.203)	(256.483)	(790.848)	(193.705)
Total deferred tax liability	**(4.745.979)**	**(792.613)**	**(8.702.433)**	**(1.676.613)**
Deferred tax asset / (liability), net	**8.523.825**	**2.120.999**	**2.114.092**	**702.225**

There is a deferred tax asset amounting to TL 2.129.358and deferred tax liability amounting to TL 8.359 as of December 31, 2019 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2018 - TL 712.891 deferred tax asset and TL 10.666 deferred tax liability).

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	**298.470**	**209.854**
Additions	216.814	159.194
Disposals (-), net	186.156	73.067
Impairment provision reversal	1.087	1.450
Impairment provision (-)	-	309
Translation differences	1.120	1.348
Net book value at the end of the period	**331.335**	**298.470**
Cost at the end of the period	338.195	307.586
Accumulated depreciation at the end of the period (-)	6.860	9.116
Net book value at the end of the period	**331.335**	**298.470**

As of December 31, 2019, the Group booked impairment provision on assets held for resale with an amount of TL 3.602 (December 31, 2018 - TL 4.689)

1.18. Information on other assets:

As of December 31, 2019, other assets do not exceed 10% of the total assets

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

2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	10.548.305	18.808.962	31.453.611	1.075.550	812.427	690.717	1.110	63.390.682
Foreign currency deposits	28.723.896	13.162.882	65.273.909	3.363.494	4.405.123	8.033.848	-	122.963.152
Residents in Turkey	25.828.742	12.451.792	63.502.841	3.032.618	2.310.420	1.447.231	-	108.573.644
Residents abroad	2.895.154	711.090	1.771.068	330.876	2.094.703	6.586.617	-	14.389.508
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.682.060	10.987.400	12.238.066	329.005	584.804	92.787	-	32.914.122
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.884	571.548	95.928	250.328	65.531	-	3.552.630
Bank deposits	1.138.876	2.715.690	847.185	286.875	69.149	-	-	5.057.775
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.256	2.536.174	596.437	286.875	57.158	-	-	3.483.900
Foreign banks	208.114	179.516	250.748	-	11.991	-	-	650.369
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
Total	**52.905.883**	**46.083.176**	**111.044.595**	**5.554.124**	**6.550.750**	**8.932.059**	**1.110**	**231.071.697**

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.650.198	2.165.456	36.823.863	8.313.437	1.333.258	877.060	1.160	56.164.432
Foreign currency deposits	20.093.087	13.142.080	63.479.684	4.779.280	4.687.717	5.014.165	-	111.196.013
Residents in Turkey	17.632.628	12.129.420	61.903.652	4.149.880	2.650.519	1.554.838	-	100.020.937
Residents abroad	2.460.459	1.012.660	1.576.032	629.400	2.037.198	3.459.327	-	11.175.076
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.891.404	7.599.008	10.354.409	1.784.661	993.821	62.283	-	26.685.586
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.012.074	7.465.716	1.492.358	297.604	135.375	4.174	-	10.407.301
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.728	4.413.177	482.447	270.743	28.239	4.174	-	5.212.508
Foreign banks	224.956	183.077	1.009.911	26.861	107.136	-	-	1.551.941
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**36.118.455**	**30.628.968**	**113.823.444**	**15.453.068**	**8.229.738**	**6.036.640**	**1.160**	**210.291.473**

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

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
Saving deposits[1]	**Current period**	**Prior period**	**Current period**	**Prior period**
Saving deposits	34.895.590	26.749.561	28.488.975	29.414.866
Foreign currency savings deposit	19.119.479	12.217.306	47.850.939	39.666.935
Other deposits in the form of savings deposits	1.642.752	807.367	1.544.417	822.760
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

[1] The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	10.094	9.744
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	489.526	284.829
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward transactions	98.515	53	143.108	66
Swap transactions[1]	2.542.199	1.206.146	5.129.217	785.267
Futures transactions	-	-	-	-
Options	29.672	17.223	248.837	49.638
Other	3.006	925	5.347	869
Total	**2.673.392**	**1.224.347**	**5.526.509**	**835.840**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair value hedges [1]	316.376	-	313.994	-
Cash flow hedges [1]	2.579.191	311.976	542.895	68.511
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.895.567**	**311.976**	**856.889**	**68.511**

[1] Explained in Note 10 of section 4

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

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings			-	-
From domestic banks and institutions	2.440.872	2.309.071	1.319.479	1.653.153
From foreign banks, institutions and funds	11.503	40.612.049	10.117	44.089.253
Total	**2.452.375**	**42.921.120**	**1.329.596**	**45.742.406**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2.394.340	12.620.395	1.303.939	13.622.616
Medium and long-term	58.035	30.300.725	25.657	32.119.790
Total	**2.452.375**	**42.921.120**	**1.329.596**	**45.742.406**

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	5.098.851	-	1.373.498	-
Asset backed securities (1)	-	3.746.311	-	3.835.712
Bonds (2)	1.642.095	14.733.934	2.526.863	13.706.130
Total	**6.740.946**	**18.480.245**	**3.900.361**	**17.541.842**

(1) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding program.
(2) Including mortgage backed securities amounting to TL 2.023.673 as of December 31, 2019(December 31, 2018 - 1.218.736 TL).

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As ofDecember 31, 2019, the total amount of financial liabilities classified as fair value through profit/loss is TL 13.184.605 (December 31, 2018 -TL 7.965.404) with an accrued interest income of TL 245.152 (December 31, 2018 - TL 413.597 income) and with a fair value difference of TL 146.197 recognized in the income statement as a loss (December 31, 2018 - TL 566.340 income). On the other hand, the buy and sell nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2019 are TL 13.132.747 (December 31, 2018: TL 8.115.956) with a fair value differences amounting to TL 236.129 liability (December 31, 2018 -TL 346.698 liability). The mentioned total return swaps have 8 year maturity in average.

2.4. Information on other liabilities:

As of December 31, 2019, other liabilities do not exceed 10% of the total balance sheet commitments.

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

2.5. Information on lease payables:

	Current Period (1)		Prior Period	
	Gross	Net	Gross	Net
Less then 1 year	334.032	203.266	-	-
Between 1-4 years	679.738	409.720	-	-
More then 4 years	524.214	314.237	-	-
Total	**1.537.984**	**927.223**	**-**	**-**

(1) The Group has adopted TFRS 16 standard as of 1 January 2019. As an opening balance, TL 846.301 is recognised as "lease payables".

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

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

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

	Current Period	Prior Period
Discount rate (%)	4,67	5,65
Possibility of being eligible for retirement (%)	94,85	94,45

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.730,15 effective from January 1, 2020 (January 1, 2019 - full TL 6.017,60) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**463.258**	**400.547**
Changes during the period	82.369	65.569
Recognized in equity	66.783	52.110
Paid during the period	(74.942)	(54.968)
Balance at the end of the period	**537.468**	**463.258**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 243.624 as of December 31, 2019 (December 31, 2018 - TL 219.010).

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2019, there is no provision amounting in TL related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2018 - TL 435). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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

2.6.3. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	1.178.063	921.350
Provisions on unindemnified non cash loans	772.000	762.204
Generic provisions on non cash loans	155.439	104.118
Provision on lawsuits	130.271	158.325
Provisions on credit cards and promotion campaigns related to banking services	60.428	54.311
Other	664.938	776.609
Total	**2.961.139**	**2.776.917**

Pension fund provision:

The Parent Bank provided provision amounting to TL 1.178.063 (December 31, 2018 - TL 921.350) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (charge)/benefit	256.713	230.498

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	3.592.934	2.871.022
- Pension benefits transferable to SSI	3.763.200	3.003.344
- Post employment medical benefits transferable to SSI	(170.266)	(132.322)
Fair value of plan assets	(2.414.871)	(1.949.672)
Provision for the actuarial deficit of the pension fund	**1.178.063**	**921.350**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.110.210	46	871.760	45
Government bonds and treasury bills	881.688	37	654.202	34
Premises and equipment	300.254	12	261.345	13
Other	122.719	5	162.365	8
Total	**2.414.871**	**100**	**1.949.672**	**100**

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

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	316.861	665.364
Taxation of Marketable Securities	189.641	162.568
Property Tax	3.832	3.290
Banking Insurance Transaction Tax ("BITT")	220.637	164.713
Foreign Exchange Transaction Tax	6.999	-
Value Added Tax Payable	59.715	14.119
Other	75.095	65.178
Total	**872.780**	**1.075.232**

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	566	485
Social security premiums - employer	634	545
Bank pension fund premiums - employee	23.031	20.558
Bank pension fund premiums - employer	31.892	21.210
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.645	1.467
Unemployment insurance - employer	3.291	2.935
Other	-	-
Total	**61.059**	**47.200**

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None. (December 31, 2018- None)

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

2.9. Information on subordinated debt[1]:

	Current Period		Prior Period	
	TP	YP	TP	YP
Debt instruments to be included in additional capital calculation[2]	-	**4.098.336**	-	-
Subordinated loans	-	-	-	-
Subordinated debt	-	4.098.336	-	-
Debt instruments to be included in contribution capital calculation	**821.340**	**13.660.363**	-	**13.557.153**
Subordinated loans[3]	-	5.102.941	-	5.574.724
Subordinated debt[4]	821.340	8.557.422	-	7.982.429
Total	**821.340**	**17.758.699**	-	**13.557.153**

[1] Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four

[2] On January 15, 2019, the Parent Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.

[3] On January 16, 2019, the Parent Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

[4] On July 3, 2019, the Parent Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 500 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.

[5] On October 3, 2019, the Parent Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 300 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None. (December 31, 2018 - 4.100.000 TL).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None. (December 31, 2018 - None).

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

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None. (December 31, 2018 - None).

2.10.6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock tors:

None. (December 31, 2018 - None).

2.10.8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TP	**YP**	**TP**	**YP**
From investments in associates, subsidiaries, and joint ventures	**-**	**-**	**-**	**-**
Revaluation difference	**-**	**-**	**-**	**-**
Foreign currency difference	-	-	-	-
Financial assets at fair value through other comprehensive income[1]	**(118.560)**	**(55.051)**	**(1.485.889)**	**(290.416)**
Revaluation difference	(118.560)	(55.051)	(1.485.889)	(290.416)
Foreign currency differences			-	-
Total	**(118.560)**	**(55.051)**	**(1.485.889)**	**(290.416)**

[1] Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	**611**	**541**
Current period income/(loss)	126	112
Dividends paid	(50)	(42)
Period ending balance	**687**	**611**

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	41.380.895	35.189.895
Loan granting commitments	13.669.165	12.360.621
Commitments for cheques	3.389.714	2.990.824
Other irrevocable commitments	14.876.247	15.267.507
Total	**73.316.021**	**65.808.847**

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

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 155.439 (December 31, 2018 - TL 104.118) and provision amounting to TL 1.175.798 (December 31, 2018 - TL 1.079.128) for non-cash loans which are not indemnified yet amounting to TL 772.000 (December 31, 2018 - TL 762.204).

3.1.2.1 Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	156.431	200.915
Letter of credits	12.486.372	11.192.813
Other guarantees and collaterals	8.019.320	7.923.230
Total	**20.662.123**	**19.316.958**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.311.813	1.300.681
Definite letter of guarantees	41.657.055	40.157.923
Advance letter of guarantees	10.370.952	11.080.557
Letter of guarantees given to customs	2.945.128	2.442.000
Other letter of guarantees	12.617.410	11.487.070
Total	**68.902.358**	**66.468.231**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	12.890.158	11.989.428
With original maturity of 1 year or less than 1 year	2.883.023	2.376.215
With original maturity of more than 1 year	10.007.135	9.613.213
Other non-cash loans	76.674.323	73.795.761
Total	**89.564.481**	**85.785.189**

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

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**423.082**	**1,57**	**5.607.706**	**8,96**	**324.600**	**1,24**	**3.467.490**	**5,83**
Farming and raising livestock	280.232	1,04	5.101.009	8,15	231.432	0,88	3.179.968	5,34
Forestry	109.974	0,41	421.242	0,67	81.750	0,31	234.420	0,39
Fishing	32.876	0,12	85.455	0,14	11.418	0,04	53.102	0,09
Manufacturing	**13.465.937**	**49,97**	**31.546.807**	**50,38**	**12.312.519**	**46,85**	**29.244.175**	**49,15**
Mining	73.819	0,27	223.412	0,36	118.106	0,45	683.391	1,15
Production	10.188.987	37,81	25.885.995	41,34	8.694.393	33,08	24.289.219	40,82
Electric, gas and water	3.203.131	11,89	5.437.400	8,68	3.500.020	13,32	4.271.565	7,18
Construction	**5.975.921**	**22,18**	**13.681.566**	**21,85**	**6.420.726**	**24,43**	**13.634.899**	**22,91**
Services	**6.871.718**	**25,50**	**11.644.678**	**18,60**	**7.021.359**	**26,72**	**13.016.022**	**21,87**
Wholesale and retail trade	1.839.803	6,83	1.311.170	2,09	1.476.561	5,62	929.867	1,56
Hotel, food and beverage services	440.898	1,64	1.691.972	2,70	275.597	1,05	1.588.633	2,67
Transportation and telecommunication	786.159	2,92	3.446.468	5,50	624.555	2,38	3.624.958	6,09
Financial institutions	2.326.725	8,63	1.574.937	2,52	3.499.891	13,32	2.313.533	3,89
Real estate and renting services	248.027	0,92	641.535	1,02	249.299	0,95	345.271	0,58
Employement	-	-	-	-	-	-	-	-
Education services	134.826	0,50	50.924	0,08	44.742	0,17	44.440	0,07
Health and social services	1.095.280	4,06	2.927.672	4,68	850.714	3,24	4.169.320	7,01
Other	**210.112**	**0,78**	**136.954**	**0,22**	**202.755**	**0,77**	**140.644**	**0,24**
Total	**26.946.770**	**100,00**	**62.617.711**	**100,00**	**26.281.959**	**100,00**	**59.503.230**	**100,00**

3.1.3.3. Information non-cash loans classified in Group I and Group II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	24.168.982	35.587.877	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	12.041.638	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	106.400	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
Total	**24.285.416**	**55.360.090**	**2.312.307**	**6.430.870**

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

Prior Period		**Group I**		**Group II**
	TL	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.300.588	38.455.359	1.810.612	822.544
Bank acceptances	-	183.378	-	17.537
Letters of credit	152.733	11.018.187	-	21.893
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	18.026	7.901.706	-	3.498
Total	**24.471.347**	**57.558.630**	**1.810.612**	**865.472**

3.1.3.4. Maturity distribution of non cash loans:

Current Period(1)	**Indefinite**	**Up to 1 year**	**1-5 years**	**Above 5 years**	**Total**
Letter of credit	-	9.481.060	2.791.953	213.359	12.486.372
Letter of guarantee	23.312.489	14.637.102	24.032.696	6.920.071	68.902.358
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	1.094.738	642.044	5.556.142	8.019.320
Total	**24.038.885**	**25.349.616**	**27.482.154**	**12.693.826**	**89.564.481**

Prior Period(1)	**Indefinite**	**Up to 1 year**	**1-5 years**	**Above 5 years**	**Total**
Letter of credit	-	8.264.030	2.733.290	195.493	11.192.813
Letter of guarantee	24.326.925	11.438.694	24.432.851	6.269.761	66.468.231
Bank acceptances	-	167.613	29.447	3.855	200.915
Other	1.101.131	520.904	636.249	5.664.946	7.923.230
Total	**25.428.056**	**20.391.241**	**27.831.837**	**12.134.055**	**85.785.189**

(1) The distribution is based on the original maturities

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

3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	195.652.172	194.070.768
FC trading forward transactions	25.879.855	19.278.968
Trading swap transactions	160.959.306	161.325.028
Futures transactions	398.407	-
Trading option transactions	8.414.604	13.466.772
Interest related derivative transactions (II)	118.898.558	87.798.512
Forward interest rate agreements	-	-
Interest rate swaps	115.222.156	83.986.144
Interest rate options	3.676.402	3.812.368
Interest rate futures	-	-
Other trading derivative transactions (III)	27.537.689	24.682.146
A. Total trading derivative transactions (I+II+III)	**342.088.419**	**306.551.426**
Types of hedging derivative transactions		
Transactions for fair value hedge	3.886.347	4.266.224
Cash flow hedges	99.581.653	92.994.503
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**103.468.000**	**97.260.727**
Total derivative transactions (A+B)	**445.556.419**	**403.812.153**

3.3. Information on credit derivatives and risk exposures:

The Group has no credit default swaps in derivative portfolio for the period ended 31 December 2019. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2018 - None).

Derivative portfolio includes total return swap that has a nominal amount of TL 25.465.494 (total of buy and sell leg) as of 31 December 2019 (31 December 2018 - TL 16.231.912).

3.4. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 130.271 (December 31, 2018 - TL 158.325) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

3.5. Information on services on behalf of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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

4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans(1)	8.125.146	697.510	7.575.164	811.039
Medium/long-term loans(1)	12.865.405	5.846.637	10.673.211	5.434.315
Interest on loans under follow-up	1.511.679	-	1.187.616	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	**22.502.230**	**6.544.147**	**19.435.991**	**6.245.354**

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	47.252	-	259.743	-
From domestic banks	552.688	22.866	259.032	19.482
From foreign banks	1.699	435.012	88.183	146.677
Headquarters and branches abroad	-	-	-	-
Total	**601.639**	**457.878**	**606.958**	**166.159**

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TP	YP	TP	YP
From financial assets where fair value change is reflected to income statement	7.894	4.405	9.144	2.042
From financial assets where fair value change is reflected to other comprehensive income statement	2.907.608	227.084	4.343.683	192.039
From financial Assets Measured at Amortised Cost	1.841.390	458.661	2.119.238	516.200
Total	**4.756.892**	**690.150**	**6.472.065**	**710.281**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	843	2.003
Total	**843**	**2.003**

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	315.486	2.128.347	252.437	1.700.946
The CBRT	-	5.129	-	3.887
Domestic banks	253.733	117.799	219.233	50.939
Foreign banks	61.753	2.005.419	33.204	1.646.120
Headquarters and branches abroad	-	-	-	-
Other institutions	-	750.738	-	493.013
Total[1]	**315.486**	**2.879.085**	**252.437**	**2.193.959**

[1] Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	7.233	4.714
Total	**7.233**	**4.714**

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	1.018.070	1.712.815	857.273	1.316.875
Total	**1.018.070**	**1.712.815**	**857.273**	**1.316.875**

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

4.2.4. Maturity structure of the interest expense on deposits:

		Time Deposit							
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Cumulative deposit**	**Total**	**Prior Period**
TL									
Bank deposit	1.191	112.548	68.984	-	314	1.056	-	184.093	255.053
Saving deposit	-	1.697.227	5.809.072	567.649	193.958	186.240	226	8.454.372	7.093.877
Public sector deposit	-	105	1.434	165	50	3	-	1.757	3.130
Commercial deposit	8	1.702.455	1.561.115	132.909	144.986	14.696	-	3.556.169	3.119.061
Other deposit	-	139.551	490.985	25.555	185.111	23.939	-	865.141	805.408
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**1.199**	**3.651.886**	**7.931.590**	**726.278**	**524.419**	**225.934**	**226**	**13.061.532**	**11.276.529**
FC									
Foreign currency deposit	3.277	382.339	1.651.675	131.015	133.737	88.193	-	2.390.236	2.969.375
Bank deposit	4.382	20.645	912	-	108	6	-	26.053	81.465
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	1.804	2.325	416	1.195	545	-	6.285	4.219
Total	**7.659**	**404.788**	**1.654.912**	**131.431**	**135.040**	**88.744**	-	**2.422.574**	**3.055.059**
Grand total	**8.858**	**4.056.674**	**9.586.502**	**857.709**	**659.459**	**314.678**	**226**	**15.484.106**	**14.331.588**

4.3. Information on dividend income:

	Current Period	**Prior Period**
Financial assets at fair value through profit or loss	5.381	8.686
Financial assets at fair value through other comprehensive income	4.096	1.678
Other	7.495	4.203
Total	**16.972**	**14.567**

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

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**83.852.144**	**118.957.559**
Gain from capital market transactions	340.299	180.186
Derivative financial transaction gains	32.538.987	48.113.404
Foreign exchange gains	50.972.858	70.663.969
Loss(-)	**85.286.981**	**119.038.727**
Loss from capital market transactions	60.633	50.197
Derivative financial transaction losses	32.946.958	36.218.099
Foreign exchange loss	52.279.390	82.770.431
Net gain/loss	**(1.434.837)**	**(81.168)**

4.5. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 2.113.039 (December 31, 2018 - TL 12.381.027 gain).

4.6. Allowance for expected credit losses and other provisions:

	Current Period	Prior Period
Allowance for expected credit losses	**8.983.811**	**7.112.841**
12-month expected credit losses (Stage 1)	154.888	152.688
Significant increase in credit risk (Stage 2)	1.134.786	2.337.832
Credit-Impaired (Stage 3)	7.694.137	4.622.321
Impairment provisions for financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	**47.914**	**191.425**
Total	**9.031.725**	**7.304.266**

4.7. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

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

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	4.221	13.546
Provision expense for pension fund	256.713	230.498
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	484.447	177.190
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	157.994	116.088
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	309
Depreciation expenses of assets held for resale	-	-
Impairment expenses offixed assets held for saleand assets related to discontinued operations	-	-
Other operating expenses	2.360.847	2.312.005
lease expenses in the context of TFRS 16 exception	63.791	332.620
Repair and maintenance expenses	145.463	136.836
Advertising expenses	125.234	133.341
Other expense	2.026.359	1.709.208
Loss on sales of assets	187	-
Other	1.005.171	783.748
Total	**4.269.580**	**3.633.384**

4.9. Provision for taxes on income from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 15.531.016 (December 31, 2018 -TL 14.496.464), net fee and commission income amounting to TL 5.528.746 (December 31, 2018 - TL 4.236.344), personnel expenses amounting to TL 3.394.078 (December 31, 2018 - TL 3.051.597) and total other operating expense amounting to TL 4.269.580 (December 30, 2018 - TL 3.633.384).

As of December 31, 2019, the Group has no profit before taxes from discontinued operations (December 31, 2018 - None).

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2019, the Group has current tax expense amounting to TL 1.829.227 (December 31, 2018 - TL 1.025.376 loss) and deferred tax income amounting to TL 895.633 (December 31, 2018 - TL 354.981 loss).

	Current Period	Prior Period
Profit before tax	4.533.780	6.047.895
Tax calculated at legal tax rate	997.432	1.330.537
Nondeductible expenses discounts and other, net	(63.838)	49.820
Total	**933.594**	**1.380.357**

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

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

4.11.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	126	112

4.13. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

5. Explanations and notes related to consolidated statement of changes in shareholders' equity

5.1. Information on dividends:

Authorised body for profit distribution of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2. Information on increase/decrease amounts resulting from merger:

None.

5.3. Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4. Explanations on property and equipment valuation differences:

Grup, adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2019, revaluation gain under shareholders' equity is amounting to TL 1.879.428 (31 December 2018 - TL 1.866.531).

5.5. Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2019 actuarial loss under shareholders' equity are amounting to TL 277.219 (31 December 2018 - TL 225.129).

5.6. Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.7. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted under "Other accumulated comprehensive income that will be reclassified in profit or loss", taking into account tax effects. Such amount as of December 31, 2019 is TL 1.462.792 loss (December 31, 2018 - 1.743.304 profit).

The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2019 is EUR 452 million. (December 31, 2018 - EUR 430 million). The foreign exchange loss of TL 1.415.508 (December 31, 2018 - TL 1.201.270 loss). net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

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

5.8. Information on other capital and profit reserves:

Other capital and profit reserves in general comprise of legal reserves and extraordinary reserves.

6. Explanations and notes related to consolidated statement of cash flows:

6.1. Information on cash and cash equivalent:

6.1.1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2. Effect of a change in the accounting policies:

None.

6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1. Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**37.724.999**	**14.993.683**
Cash and effectives	4.886.490	2.562.013
Demand deposits in banks	32.838.509	12.431.670
Cash equivalents	**8.767.484**	**8.850.595**
Interbank money market	117.231	817.005
Deposits in bank	8.650.253	8.033.590
Total cash and cash equivalents	**46.492.483**	**23.844.278**

6.1.3.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**41.978.729**	**37.724.999**
Cash and effectives	4.592.699	4.886.490
Demand deposits in banks	37.386.030	32.838.509
Cash equivalents	**24.239.568**	**8.767.484**
Interbank money market	10.803.630	117.231
Deposits in bank	13.435.938	8.650.253
Total cash and cash equivalents	**66.218.297**	**46.492.483**

6.2. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2019, the Group's cash and cash equivalents those are not in use due to legal limitations and other reasons, including those at foreign banks and the TL reserve requirements, amount to TL 37.414.740 (December 31, 2018 - TL 44.550.642).

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

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other account" amounting to TL 851.448increase (December 31, 2018 - TL 567.348 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 3.468.347 increase (December 31, 2018 - TL 20.044 decrease) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 4.621.998 as of December 31, 2019 (December 31, 2018 - TL 15.321.623 increase).

7. Explanations and notes related to Group's risk group:

7.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Group's risk group:

Current Period	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Group**		**Other real and legal persons that have been included in the risk group**	
Group's risk group (1) (2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Balance at the end of the period	4.654	3.351	815.658	1.199.169	2.568.348	3.147.488
Interest and commission income received	**843**	**51**	**31.050**	**8.267**	**447.939**	**23.895**

Prior Period	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Group**		**Other real and legal persons that have been included in the risk group**	
Group's risk group (1) (2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Balance at the end of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Interest and commission income received	**2.003**	**180**	**27.376**	**8.202**	**538.824**	**24.788**

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.

(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

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

7.1.2. Information on deposits of the Group's risk group:

Group's risk group [(1) (2)]	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Bank**		**Other real and legal persons that have been included in the risk group**	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	32.007	27.440	39.787.874	29.100.563	22.326.048	18.301.565
End of the period	96.427	32.007	34.185.545	39.787.874	22.510.602	22.326.048
Interest expense on deposits	**7.233**	**4.714**	**2.503.473**	**2.447.124**	**1.357.180**	**1.176.337**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

7.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

Group's risk group [(1)]	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Bank**		**Other real and legal persons that have been included in the risk group**	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss						
Beginning of the period[(2)]	-	-	3.330.535	4.585.782	983.564	4.263.455
End of the period[(2)]	-	-	563.016	3.330.535	10.730.513	983.564
Total profit / loss[(3)]	**-**	**544**	**(14.966)**	**(473.269)**	**58.698**	**(592.874)**
Transactions for hedging purposes						
Beginning of the period[(2)]	-	-	1.456.586	1.375.186	-	-
End of the period[(2)]	-	-	1.059.016	1.456.586	-	-
Total profit / loss	**-**	**-**	**9.016**	**106.586**	**-**	**-**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.2. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 88.601 as of December 31, 2019 (December 31, 2018- TL 66.780).

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

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank(1):

	Number	Number of Employees	Country of incorporation	Total assets	Statutory share capital
Domestic Branch	845	16.628			
Foreign Rep. Office	-	-	-		
Foreign Branch	1	3	Bahrain	14.444.728	-
Off-Shore Banking Region Branch	-	-		-	-

(1) Represent the Parent Banks' amounts.

9. Explanations and notes related to subsequent events:

According the Bank's Board of Directors resolution dated January 15, 2020, it has been decided to submit the amendment of the articles regarding the increase of the registered capital ceiling for approval in the first ordinary General Assembly to raise the upper limit of registered capital from TL 10.000.000 to TL 15.000.000 and to extend the permit provided for the upper limit of authorized capital from the end of 2020 until the end of 2024 after obtaining the necessary permissions.

Section six

Other Explanations and Notes

1. Other explanations on the Parent Bank's operations

None.

Section seven

Explanations on independent audit report

1 Explanations on independent auditor's audit report

The consolidated financial statements for the period ended December 31, 2019 have been audited by PwCBağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's audit report dated February 4, 2020 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

YAPI ve KREDİ BANKASI A.Ş.

Trade Register Number:
32736

Mersis Number:
0937002089200741

Address:
Headquarters
Yapı Kredi Plaza D Blok
Levent - Beşiktaş 34330 İstanbul / Türkiye

Telephone: +90 212 339 70 00
Fax: +90 212 339 60 00

SWIFT Code:
YAPITRIS

Website:
http://www.yapikredi.com.tr

Branch Information:
All information can accessed via Yapı Kredi website

Social Media Information:
Yapı Kredi has an active presence in Facebook, Twitter, Instagram, Linkedin, Google+ and Youtube, In all channels the bank is under the name Yapı Kredi

ABROAD SUBSIDIARIES

YAPI KREDİ BANK AZERBAIJAN JSC
628 district, C.Mammadguluzade street 73G AZ1078, Baku, Azerbaijan
Tel: +99 412 497 7795
Fax: +99 412 497 0276
SWIFT Code: KABA AZ 22

YAPI KREDİ BANK MALTA
Aragon House Business Centre Fifth Floor, Dragonara Road STJ 3140 St Julian's, Malta
Tel: +356 2247 7200
Fax: +356 2137 4560 - 61
SWIFT Code: YAPIMTMTXXX

YAPI KREDİ BANK NEDERLAND N.V.
Rembrandt Tower, 16th Floor Amstelplein 1, 1096 HA Amsterdam, Netherlands
Telephone: + 3120 462 44 44
Fax: + 3120 663 13 31
SWIFT Code: KABA NL 2A

BANQUE DE COMMERCE ET DE PLACEMENTS S.A. (BCP)
Rue de la Fontaine 1 P.O. Box 3069
CH-1211 Geneva, Switzerland
Tel: + 41 22 909 19 1
Fax: + 41 22 909 19 00
SWIFT Code: BPCP CH GG
Telex Code: 412391 bcp ch

ABROAD BRANCHES

YAPI KREDİ - BAHRAIN BRANCH
Wind Tower 10th Floor, Suite:101, Building No:403, Road No: 1705, Block No: 317 P.O. Box: 10615 Diplomatic Area, Manama, Kingdom of Bahrain

Tel: + 973 175 410 55 /
+ 973 175 303 13
Fax: + 973 175 410 56 /
+ 973 175 303 11
SWIFT Code: YAPI BH BX

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