



# BANK OF CHINA TURKEY A.Ş.

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ANNUAL ACTIVITY REPORT 2019

*(Convenience translation of a report originally issued in Turkish)*

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Bank of China Turkey A.Ş.

### 1) Qualified Opinion

We have audited the annual report of Bank of China Turkey A.Ş. (the "Bank") for the period of January 1, 2019 and December 31, 2019.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Bank are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

### 2) Basis for Qualified Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed a qualified opinion in our auditor's report dated February 25, 2020 on the full set financial statements of the Bank for the period of January 1, 2019 and December 31, 2019.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks", the management of the Bank is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Bank for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.



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- c) The annual report also includes the matters below:
- Subsequent events occurred after the end of the fiscal year which have significance,
  - The research and development activities of the Bank,
  - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits,
  - Other issues determined in accordance with "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks" published in official gazette no.26333 dated November 1, 2006.

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

#### **5) Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and communique on "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks" published in official gazette no.26333 dated November 1, 2006, "Regulation On The Procedures And Principles For Accounting Practices And Retention Of Documents By Banks" published in official gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Bank's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the "Communique on Independent Audit of Banks". These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

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


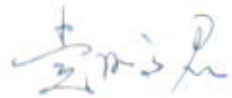


Fatih Polat, SMMM  
Partner

February 25, 2020  
İstanbul, Türkiye

BANK OF CHINA TURKEY A.Ş.  
STATEMENT REGARDING ANNUAL ACTIVITY REPORT AS AT 31 DECEMBER 2019

This Annual Activity Report for year 2019 of Bank of China Turkey A.Ş. has been prepared in accordance with the "Regulation on the Procedures and Principles for Preparation and Publishing of Annual Report by Banks" published in the Official Gazette no 26333 dated 1 November 2006 by Banking Regulation and Supervision Agency, and enclosed herewith

  
Bin CHEN**Bin CHEN**Chairman of the  
Board of Directors  
Pengjun DANG**Pengjun DANG**Deputy Chairman of the  
Board of Directors and  
Chairman of the Audit  
Committee**Xiaoyu LIU**Member of the  
Board of Directors**Ruojie LI**Member of the  
Board of Directors and  
General Manager**Özgür DALGIÇ**Member of the  
Board of Directors and  
Member of the Audit  
Committee**Dalei DING**Assistant General  
Manager**Fang LONG**Head of Financial and  
Operational Control  
Department

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## A- GENERAL INFORMATION

Related Period : **01.01.2019 – 31.12.2019**  
 Trade name : Bank of China Turkey Anonim Şirketi  
 Trade registry number : 65510-5 (İstanbul Tic. Sicil Müd.)  
 Registered Address : Esentepe Mah. Büyükdere Cad. Tekfen Tower Binası No: 209 Kat: 21 PK 34394 4. Levent/Şişli/İstanbul  
 Contact:  
 Phone : +90 212 260 88 88  
 Fax : +90 212 279 88 66  
 E-mail address : contact@bankofchina.com.tr  
 Website Address : www.bankofchina.com.tr

### 1) Financial summary information regarding the activity period

Thousand (TL)	31.12.2019	31.12.2018
<b>Total Assets</b>	<b>1,676,970</b>	<b>1,291,801</b>
Cash Assets and Central Bank	42,859	16,421
Banks	677,701	949,969
Loans	568,012	306,590
Loans Measured at Amortised Cost	329,421	-
Other Assets	58,977	18,821
<b>Total Liabilities and Equity</b>	<b>1,676,970</b>	<b>1,291,801</b>
Deposits	75,685	4
Provision	40,626	23,549
Borrowings	59,423	-
Other Liabilities	54,801	16,202
Equities	1,446,435	1,252,046
Letter of Guarantees	271,883	2,577
Other Guarantees	973,594	81,827
Derivatives	564,546	604,120
Capital Adequacy Ratio	63.32	190.69
Equity/Assets	86.25	96.92

Thousand (TL)	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net Interest Income	215,849	184,363
Non-Interest Income	17,650	3,083
Trading Income/Loss	78,257	31,047
Total Operating Income/(Expense)	311,756	218,493
Net Other Operating Income/Expenses (-)	42,892	43,623
Loan Provisions	15,242	20,347
Net Operating Profit/(loss)	253,622	154,523
Tax Provision (-)	59,218	39,789
<b>Net Profit / Loss for the Period</b>	<b>194,404</b>	<b>114,734</b>

Financial Ratios	31.12.2019	31.12.2018
Return on Assets	11.59	8.88
Return on Equity	13.44	9.16
Capital Adequacy Ratio	63.32	190.69
Loans/Total Assets	33.87	23.73
Deposits/Total Assets	4.51	-
NPL	-	-



**2) Bank’s history and modifications of Articles of Associations within the year and their reasons**

Bank of China Turkey A.S. is established on January 10th, 2017, major shares holder being Bank of China Limited. The BRSA granted the operational banking license to Bank of China Turkey A.Ş. as of 01/12/2017 and such license has been published on the Official Gazette on 07/12/2017.

As China’s most internationalized and diversified bank, Bank of China Limited provides a comprehensive range of financial services to customers across the Chinese mainland as well as 61 countries and regions. The Bank’s core business is commercial banking, including corporate banking, personal banking and financial markets services.

There are no changes occurred regarding the Articles of Association or the shareholder structure within the accounting period this Report pertains to.

**3) Bank’s capital structure, changes in capital and shareholder structure within the year and information on qualified shares**

a)- Capital : TL 1,051,230,000

b)- Shareholding Structure : The capital and shareholding structure of the Bank is as follows.

NAME, SURNAME/TITLE OF THE SHAREHOLDER	RESIDENTIAL ADDRESS	NUMBER OF SHARES	AMOUNT OF CAPITAL (TL)
1-Bank of China Limited	No.1 Fuxingmen Nei Dajie Beijing/China 100818	1,051,229,996	TL 1,051,229,996
2-Maxon Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
3-Best Stream Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
4-Union Favour Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
5-Well Ocean Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1

c)- There are no existing privileged shares.

d)- Explanation on Qualified Shares:



Pursuant to the definition of “qualified share” given by the Banking Law numbered 5411, the owners of the existing qualified shares within the Bank capital and their share rates are explained below:

<b>Name Surname/Trade Name</b>	<b>The Amount of Shares</b>	<b>Share Rate</b>	<b>Paid Shares</b>	<b>Unpaid Shares</b>
Bank of China Limited	1,051,229,996	99.99%	1,051,229,996	-

**4) Explanations regarding the chairman and the members of Board of Directors, General Manager and Assistants and their shares**

The Chairman and members of the Board of Directors, the members of Audit Committee, the General Manager and his assistants do not have any shares in the Bank.

**5) The Evaluation of the chairman of the board of directors and the general manager for the activity period and their expectations for the future**

Bank of China Turkey A.Ş. has completed its first full year of operation after its establishment. Being the subsidiary of a Global Systemically Important Financial Institution, Bank of China Ltd, the Bank is increasing its presence in the Turkish market with a long term point of view.

Bank of China Ltd. has increased its global operations as of end of 2019 and is now active in 61 countries all around the world and has been present in Turkey through its Istanbul Representative Office since 2011. The decision to establish a subsidiary in Turkey was taken by the Board in 2015 after which, in May 2016, the Banking License was obtained from the BRSA and the required paid in capital of USD 300,000 thousand was brought into the country within December 2016. Bank of China Turkey A.Ş. was registered to the trade registry in January 2017. During 2017, the preparations gained momentum and the operational license has been issued by the BRSA in December 2017. Beginning of 2018 has been the time to complete all the necessary actions for starting the operations and May 9th 2018 has been the first day of Bank of China Turkey A.Ş.’s operations.

Global growth concerns were the main theme of 2019. Global growth weakened all around the world till the last quarter in which lagged effects of global looser monetary policies started to be seen. Especially sharp slowdown in manufacturing sector led by global trade tensions and economic and political uncertainties effected global growth. Latest indicators and developments like easing trade tension are showing that there will be a modest recovery in 2020. Also, acceleration in global food prices and growth recovery in global economies can limit downside risks in inflation dynamics in 2020.

Against all expectations in the beginning of the year, Federal Reserve cut interest rates three times in 2019. Not only FED but also global Central Banks eased their monetary policies and increased asset purchases in 2019.

With the stabilization and recovery of credit growth in China, global growth is expected to see a modest upward trend in 2020. In addition, positive news on trade tension is expected to support business climate in both US and China in 2020. Recovering trade environment is expected to lead stock markets to appreciate like in 2019, however at the same time can limit downside for global rate. Recovery in China could also support European economy.

The global banking industry developed divergently in a complex, ever-changing environment in 2019. It is imperative to strike an overall balance in the future among scale, structure, quality, efficiency, and risk and market performance to maintain sustainable development amid new uncertainties.

Turkey achieved high growth rates since 2001, which attracted attention from foreign investors, became the 17th largest economy in the world and 6th among the European Union. Turkey's second largest trade partner is China and since Turkey signed off on the Belt and Road Initiative of China, the relations between the two countries keep improving. More and more Chinese companies are investing in or undertaking projects in Turkey. Bank of China Turkey A.Ş. is happy to serve such clients to the best possible extent.

Political tension in Turkey escalated in March 2019 with the local elections. Due to market volatility on uncertainties over Istanbul election results, Turkish Lira depreciated to its lowest level in May since October 2018. After the re-run of Istanbul mayor election and official results announced in June, Turkish lira started to appreciate gradually. This appreciation was also supported by positive developments in international relations and easing of geopolitical tension.

2019 was a year of fast recovery on macro indicators. Turkish Consumer Price Index showed a remarkable recovery from 20.23% in January to 8.55% in October with the help of Turkish Lira stability, sharp reversal in food prices and base effects. Year-end inflation occurred at 11.84% which was lower than New Economy Program target at 12.00%. The positive trend in current account deficit started to materialize in 2019. With the help of import contraction and the lagged effects of the depreciation of Turkish Lira, there was a sharp recovery in the Balance of Payments in the second half of 2019. The 12-month rolling deficit decreased sharply from USD 60 billion in May to surplus through the end of the year.

Especially, tight financial conditions and contraction in manufacturing in 2018 and first half of 2019, led Turkish economy to remain below the potential growth. The size and continuity of supporting fiscal and financial policies will be one of the issues on the growth side in 2020. Inflation is expected to stabilize and gradually move to single digit in 2020 after touching above 20% in 2019. With no scheduled elections and political risks on ahead, the flow of funds to Turkish economy is expected to accelerate. The improvements in geopolitical conditions can also increase the magnitude of this flow. 2020 also has a potential year of acceleration due to strong monetary policy and improvements in external conditions, fiscal discipline and related precautions, especially stated in New Economy Program.

The stabilization of the Turkish Lira in the second half of 2019 and the expected pickup in economy in 2020 are expected to have positive effects on the Turkish Banking system in 2020. The deterioration in asset quality due to real sector foreign exchange debt and high interest rates is expected to decelerate with recovery in macro fundamentals in 2020. Although ratio of NPLs to total cash loans is expected to rise to about 6%, Turkey will still be the country holding the highest asset quality in the region. During 2019, Turkish banks having maturities in the period successfully rolled over their debts.

Despite the challenging environment both globally and in Turkey, we have been able to get involved in projects as targeted. Development of the Bank's business has begun. In line with our strategy, we have started working with top notch Turkish corporates as well as the local financial institutions. Moreover, we also took part in major infrastructure projects of Turkey following the Belt and Road Initiative. We will continue to support the big projects as well as telecommunications, energy and logistics projects in the coming year. As a long-term investor in Turkey, we are willing to have long-term business perspectives in the market. We are willing to take advantage of the market expectations for a better 2020 in the banking universe of Turkey and increase our portfolio. Since one of the most important targets of our bank is to boost the Sino-Turkish trade and economic cooperation between China and Turkey, we will be using the full support of Bank of China global network.

We would like to take this opportunity to extend our gratitude to our shareholder, our dedicated employees, our customers, local regulators and government for their continuous support during the establishment and further development of our Bank.

Chairman of the Board of Directors  
Bin CHEN

General Manager  
Ruojie LI

**6) Explanation of the number of personnel and branches, type of services and activities of the bank and evaluation of the position of the Bank in the sector**

Bank of China Turkey A.Ş. has operated for the full year in 2019 and has 39 employees as of December 31, 2019. The Bank is operating only through its Head Office and does not have any branches as of end of 2019. Although the Bank has the full license from the Banking Regulation and Supervision Agency, the actual business is concentrated in Corporate Banking. The Bank only serves to corporate customers and does not have any cash utilization.

Bank of China Turkey A.Ş. aims to work with top tier corporates; local, multinational, Chinese or International, which have solid financials and easy access to financial sources. As per the “One Belt One Road” initiative the Bank also concentrates in the banking needs of Chinese companies having investment appetite in Turkey.

Main service areas of the Bank are related to Trade Finance, Corporate Loans, Project Finance, Deposits and Foreign Currency transactions. Thanks to the global network of Bank of China of more than 11 thousand branches in China and 61 countries and regions including Hong Kong, Macau and Taiwan around the world, Bank of China Turkey A.Ş. has vast opportunities to finance the international trade. Another major aim is to support the infrastructural projects of Turkey. Therefore, Bank of China Turkey A.Ş. is concentrating on financing of these huge projects together with other branches of the group and thus, investing its resources to the development of the country.

One of the most important competitive advantages of the Bank in the sector is its global network and the cooperation opportunities with this network. Another one is the increasing appetite from Chinese corporates to invest in Turkey. Since Turkey has become part of the Belt and Road Initiative in 2015, more and more Chinese companies are interested in investing in Turkey. Being the most internationally active bank in China, most of the Chinese going out customers is already the clients of Bank of China in China and thus potential clients for Bank of China Turkey A.Ş. as they invest in Turkey.

**7) Information on research and development practices related to new services and activities given**

Bank of China Turkey A.Ş.’s product portfolio is composed of cash and non-cash loans as well as trade finance products, deposits and currency transactions. The Bank aims to enlarge its product portfolio in time as per the requests of its customer. Since the Bank is concentrating on corporate clients most of the products that will be utilized will be tailor-made designed according to the needs of the customers. On the Treasury side, the Bank is working on extending its infrastructure to be able to offer its clients derivative products within this year.

## **B- INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE APPLICATIONS**

### **1) Corporate Governance**

The Bank, strictly follows the rules and regulations within the scope of the applicable legislation, closely tracks changes in the related legislation and continuously enhances its corporate governance capabilities. In this regard, throughout the year of 2019, Ruojie Li, Özgür Dalgıç and Xiaoyu Liu have continued their duties as the members of the Corporate Governance Committee which had been formed in order to comply with the applicable legislation with the Regulation on the Corporate Governance Principles of the Banks and along with its annex, the Corporate Governance Principles of the Banks. The Committee follows the Bank's progress in respect of the corporate governance principles and policies and informs the Board of Directors as it deems necessary.

The Bank attaches great importance to corporate principles and rules. In order to continuously update the corporate governance policies according to the legislative requirements and the Bank's progress and to perform activities in strict compliance with these policies, the Bank's Board of Directors, with guidance from its Corporate Governance Committee, has gone through all the related documents which need to be prepared/amended by the Board including but not limited to the Corporate Governance Committee Charter, Corporate Governance Policy and the Board of Directors Charter, and has applied necessary changes to some other policies and charters. Utmost importance is given to the comprehensive support of the Bank's systems to the effective operation of its corporate governance.

The Bank promotes innovative practices in corporate governance and constantly takes measures for the smooth operations of the Board of Directors and develops mechanisms and precautions in respect of information security and shareholder engagement. This supports the systematic decision-making and constructive work of the Board, promotes the transparency of the Bank and allows the Bank to properly meet its responsibilities to its shareholders as well.

The Bank enhances its corporate governance system in a forward-looking and exploratory manner. The Board of Directors pays close attention to the internal control and risk management and continuously endeavors to enhance the Bank's level of compliance with the legislation. In addition, the Bank closely monitors all the latest developments in domestic and international corporate governance principles and policies.

**2) Information about the chairman and members of the board of directors, members of the audit committee, general manager and assistants and managers of the units within the scope of internal systems**

**Board of Directors**

The Bank's managing body is the Board of Directors constituting of five board members. They have been appointed with the Articles of Association dated 10 January 2017 and the board resolution no.1 dated 31 January 2017 and their appointment has been re-approved at the general assembly dated 30 March 2017 and as of 28/03/2018 the same members got appointed for two years. As of the Board of Directors Resolution dated 24/06/2019, Mr. Bin Chen has been appointed, again, as the Chairman of the Board of Directors, and Mr. Pengjun Dang has been appointed as the Deputy/Acting Chairman of the Board of Directors until the end of their terms of duty.

<b>Name Surname</b>	<b>Duty</b>	<b>Assigned Date</b>	<b>Education</b>	<b>Professional Experience</b>
Bin Chen	Chairman of the Board	Re-elected for a period of 2 years with the resolution published in the Trade Registry Gazette dated 09/04/2018. As of the Board of Directors Resolution dated 24/06/2019, Mr. Bin Chen has been appointed, again, as the Chairman of the Board of Directors.	* China Sciences Academy, System Sciences Research Institute, Phd * Jiangxi University, Computer Science and Control Theory, Master Degree * Jiangxi University, Basic Mathematics, Bachelor Degree	25 Years
Ruojie Li	Board Member / General Manager	Re-elected for a period of 2 years with the resolution published in the Trade Registry Gazette dated 09/04/2018.	* China Renmin University, Money and Banking, Master Degree * China Renmin University, Finance, Bachelor Degree	19 Years
Pengjun Dang	Deputy/Acting Chairman of the Board	Re-elected for a period of 2 years with the resolution published in the Trade Registry Gazette dated 09/04/2018. As of the Board of Directors Resolution dated 24/06/2019, Mr. Pengjun Dang has been appointed as the Deputy/Acting Chairman of the Board of Directors.	*Pekin University, International Relations, Master Degree *Pekin University, International Relations, Bachelor Degree	25 Years

Name Surname	Duty	Assigned Date	Education	Professional Experience
Xiaoyu Liu	Board Member	Re-elected for a period of 2 years with the resolution published in the Trade Registry Gazette dated 09/04/2018.	*China Renmin University, Finance, Master Degree *Shanxi Finance University, Tax Profession, Bachelor Degree	19 Years
Özgür Dalgıç	Board Member and Internal Systems Officer	Re-elected for a period of 2 years with the resolution published in the Trade Registry Gazette dated 09/04/2018.	*Loughborough University, Banking and Finance, Master Degree * Ankara University , Business Administration, Bachelor Degree	28 Years

### Managers of Internal Systems

Name Surname	Duty	Assigned Date	Education	Professional Experience
Ferhun Ateş	Head of Internal Control & Compliance	04.05.2017	*Gazi University, Institute of Social Sciences, Master in Business Administration *Ankara University, Faculty of Political Sciences, Economics	21 Years
Hülya Bayır	Head of Risk Management	04.05.2017	*Hacettepe University , Finance, PHD *Vanderbilt University, Economic Development, MA *Hacettepe University, Finance, MS Ankara University , Finance	28 Years
Gürkan Sezgün	Head of Internal Audit	04.05.2017	*Marmara University, Business Administration	19 Years



### Audit Committee

Name Surname	Duty	Assigned Date	Education	Professional Experience
Pengjun Dang	Committee Chairman	04.05.2017 (a contrary decision has not been taken and continues to the same duty.)	* Pekin University, International Relations, Master Degree *Pekin University, International Relations, Bachelor Degree	25 Years
Özgür Dalgıç	Committee Member	04.05.2017 (a contrary decision has not been taken and continues to the same duty.)	*Loughborough University, Banking and Finance, Master Degree * Ankara University , Business Administration, Bachelor Degree	28 Years

### Assistant General Manager

Name Surname	Duty	Assigned Date	Education	Professional Experience
Dalei Ding	Assistant/Acting General Manager	03.06.2019	* Central Finance and Economy Institute , Finance and Banking, Bachelor Degree	23 Years

### 3) Information on the mandate and professional experience of the auditors

In the General Assembly Meeting dated 28 March 2019, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müş. A.Ş. (E&Y) was authorized about auditing process and preparation of audit reports. The audit agreement is for 1 year term.

**4) The activities of the Credit Committee and the committees affiliated to the board of directors or established under the risk management systems in accordance with the Internal Systems of Banks to assist the Board of Directors and the names and surnames of the chairman and the members of these committees and their essential duties**

**Audit Committee**

The Committee, in accordance with the provisions of the Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Procedure has been established to support to Board of Directors by monitoring the integrity of financial statements, the operations of internal systems and other aspects of the Bank's financial management in accordance with the duties and responsibilities as well as to set up and maintenance of necessary processes to ensure compliance of the Bank with all applicable laws, other regulations and internal regulations. Members of the Committee is composed of Pengjun Dang (Committee Chairman) and Özgür Dalgıç who are non-executive directors of Board. Özgür DALGIÇ who is located in Turkey also serves as Internal Systems Officer in the Bank. During the year, the Audit Committee convened 4 times and took 6 resolutions.

**Risk Committee**

The Committee has been established to assist the Board of Directors in monitoring the risk management structure of the Bank; the Bank's risk management and risk assessment guidelines and policies required to fulfill the duties and responsibilities of the Committee regarding market, credit, operations, liquidity, strategy, reputation risks and other risks; the risk tolerance and appetite of the Bank; the capital, liquidity and funds of the Bank and the risk management performance of the bank. Committee Members is composed of Ruojie Li (General Manager); Xiaoyu Liu and Özgür Dalgıç (Internal Systems Officer) who are the Board members. The regular reports have been submitted to Committee for information and Committee took 1 resolution.

**Steering Committee on Prevention of Anti Money Laundering**

The Committee has been established to ensure that the Bank's compliance with the anti-money laundering and counter-terrorism legislation and the global Bank of China policies and procedures, and the implementation of its policies and procedures to carry out the Compliance program in accordance with the legislation and global policies, to review them in case of new regulations and amendments in the relevant legislation, to evaluate the impacts on the Bank, and to assess the issues identified in the examinations by internal and external auditors and regulators, and to determine and evaluate the risk appetite for the prevention of financing of money laundering and terrorism.

Committee Members is composed of the General Manager Ruojie Li and Internal Systems Officer Özgür Dalgıç who are co-chairman of the Committee, Head of Internal Control and Compliance Ferhun Ateş, Internal Control and Compliance Assistant Manager Nazlı İpek Tüzün, Head of Banking Services Dept. Guohong Sun and Head of Corporate Banking Dept. Onur Sekizyuralı, Head of Internal Audit Gurkan Sezgun without having voting right and other participants upon agenda of the Committee, if needed. The committee convened in December and discussed updated Due Diligence Procedure and AML Steering Committee Charter, recent sanctions developments, sanctions process and practice of the Bank and FATF IV. term national risk assessment on Turkey.

### **Remuneration Committee**

With remuneration policy, Bank of China Turkey A.Ş. aims to create an effective remuneration system, hire capable employees who will support the Bank to reach its goals and provide a sustainable process.

In order to carry out the supervision of the Bank's remuneration policy and its implementation on behalf of the Board of Directors, a Remuneration Committee was established in accordance with the regulations of the Banking Regulation and Supervision Agency and Bank of China policies.

The current structure of Remuneration Committee is below:

<b>Name Surname</b>	<b>Duty</b>
Pengjun Dang	Committee Chairman
Bin Chen	Committee Member

The meeting is held as often as required by the Remuneration Committee with the condition of meeting at least once a year.

The Remuneration Committee reviews the remuneration policy of the Bank at least once annually, with a purpose to assess if changes are required. In order to ensure effectiveness of remuneration policy, the Board of Directors review it at least once a year as well.

In the implementation of remuneration practices in Bank of China Turkey A.Ş., “The Guide for Best Remuneration Practices in Banks” which is published by BRSA in 31 March 2016 dated Official Gazette are taken into consideration as reference.

## Corporate Governance Committee

The Committee's purpose is to act on behalf of the Board in fulfilling the following responsibilities:

- Oversight of corporate governance practices of the Bank, including review of the Bank's Corporate Governance Guidelines and carry out development studies in this regard;
- Annual performance evaluation process of the Board and its committees;
- Oversight of the Bank's regulatory compliance with corporate governance principles and carry out development studies in this regard
- Making suggestions to the Board, when necessary, regarding corporate governance issues.

The meeting is held as often as required by the Remuneration Committee with the condition of meeting at least once a year.

The current structure of the Committee which was first constituted on 04/05/2017 is as follows:

<b>Name Surname</b>	<b>Duty</b>
Xiaoyu Liu	Committee Chairman
Ruojie Li	Committee Member
Özgür Dalgıç	Committee Member

## Credit Committee

The Credit Committee is the mechanism for credit evaluations and decision-making of the Bank. Credit Committee has the responsibility to approve new credit proposals and annual reviews (including modifications and changes to conditions) within the scope of Delegated Level of Authority defined by Board. Duties, responsibilities and working principles of Credit Committee are defined in Credit Committee Charter. Since the Board of Directors and the Credit Committee are composed of the same members, there is no actual Credit Committee.

### **5) Information on the attendance of the members of the Board of Directors and the audit committee and other subcommittees to the relevant meetings held during the accounting period**

All the committees mentioned above have held meetings within the year of 2019 and all the committee members have attended each meeting either physically and/or via video/teleconference, accordingly.

### **6) Audit committee's assessments on the operation of internal control, internal audit and risk management systems and information about their activities within the accounting period**

The functions of the Bank within the scope of internal systems are the Internal Control and Compliance; Internal Audit and Risk Management. These functions are carried out as directly reported

to the Internal Systems Officer and the Audit Committee and independent from each other and the executive units. Internal systems and Audit Committee activities are carried out as compliant with the regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process and in line with the Bank's scope of transactions and activities. Committee convened 4 times and took 6 resolutions and informed the Board Of Directors by reports.

Internal Control and Compliance function is carried out in accordance to Internal Control and Compliance Policy, which is based on the Banking Law, Law on Prevention of Laundering Proceeds of Crime, Law on Prevention of the Financing of Terrorism and related sub-regulations and Bank of China global practices. Internal Control and Compliance is authorized to monitor, inspect and control all activities in the units /departments of the Bank. Internal Control and compliance activities and how they will be performed are designed together with the relevant units by Internal Control and Compliance, taking into account all the characteristics of the activities carried out by the Bank. Compliance activities are; in order to ensure compliance of all activities and new activities carried out and planned by the Bank with all applicable laws and other applicable legislation giving priority to the legislation regarding the prevention of laundering of criminal proceeds and the fight against financing of terrorism; monitoring all applicable legislation, reviewing new legislation or amended regulations and informing and directing personnel; committees and senior management, Audit Committee / Internal Systems Responsible and Board of Directors of the Bank to a necessary extent. Reports were prepared within the scope of Internal Control and Compliance Policy and Audit Committee and Senior Management were informed.

In this scope;

- Following the legislative amendments, top management and related units were informed, opinions on draft amendments were given and opinions were drawn on the questions of the top management and in-bank units regarding the legislation.
- Internal procedures were reviewed and updated
- Rectification Management Procedure which regulates the correction process of the findings detected by Regulatory Agency, Independent and internal auditor and mother company auditors was enacted.
- MASAK senior managers were visited and exchanged information; annual AML training on legislation, compliance program of the Bank, sanctions was given to staff with a test for evaluation and assessment; the annual MASAK workshop was attended.

Risk management activities are the management of the risk caused from banking activities in accordance with the risk policy by considering the scale of the Bank and its activities.

In this scope,

- The General Risk Management Policy, General Risk Limit Policy, Liquidity Risk Management Policy, Operational Risk Policy, Market Risk Management Policy, Internal Capital Adequacy Assessment Process has been reviewed. Within the framework of the risk

appetite established within the scope of the General Risk Limit Policy, it is ensured that the Bank continues its activities in accordance with its strategies.

- The Internal Capital Assessment Process is managed through Bank-wide participation.
- The Risk Committee, the Audit Committee and the Senior Management and the Board of Directors are informed about the Bank's risks through periodic reports.
- The risk limits are reviewed regularly by the Internal Systems Officer, Head of Risk Management, Risk Committee and the Bank's senior management in a way not to exceed the legal limits stated in the legislation and if deemed necessary, they are redefined with the approval of the Board of Directors.
- Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress test and scenario analyzes are carried out and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

In the scope of Internal Audit activities;

- The Annual Internal Audit Plan and Risk Assessment Report were prepared and the Risk Matrix was prepared and audits were carried out in accordance with the plan. Related units responses were taken, corrective actions were scheduled and followed up, Audit Committee, Senior Management and Board of Directors were informed.
- The 2019 Management Assertion Audit Plan was prepared and the audit activities were carried out and the results were shared with the Independent Auditor by obtaining the approval of the senior management and the Board of Directors.
- Meetings were held with the independent auditors and independent audit activities, the findings were evaluated, corrective actions were taken and monitored, the senior management, the Audit Committee and the Board of Directors were informed.

## **7) A summary Board Report Submitted to the General Assembly**

We believe that 2019 was a successful year for Bank of China Turkey A.Ş.

As of December 31, 2019, the Bank's total assets stood at TL 1,676,970 thousand, total loans at TL 568,012 thousand and customer deposits except for Bank's deposits at TL 75,685 thousand.

As of the end of 2019, the Bank's net profit was TL 194,404 thousand. As of December 31, 2019, the Bank's total equity amounted to TL 1,460,116 thousand, with a capital adequacy ratio of 63.32%.

Loans, the major component of Bank's assets, reached TL 568,012 thousand at year's end, increased by 85% compared to 2018. Receivables from banks, the other key item of the Bank's assets, amounted to TL 677,701 thousand, excluding receivables from the Central Bank of Turkey.

At year-end 2019, Bank of China Turkey A.Ş. reported total assets as TL 1,676,970 thousand, increased by 30% year-to-year.

Bank of China Turkey A.Ş. reported TL 215,849 thousand net interest income in 2019. The Bank's net income after tax and provisions is TL 194,404 thousand for the fiscal year. In 2019, our return on average equity improved from %9.2 to %13.3.

We will continue to strengthen our Bank, expand our product and service coverage, and diversify our financing capability to better serve our customers and grow stronger and stronger.

#### **8) Information on Human Resources applications**

The Bank's vision is to be a globally preferred Bank in Turkey by providing services that add high value to society.

The Bank's mission is to provide financial services that create excellent values for its customers and shareholders, by strengthening the financial cooperation between Turkey and China. It is aimed to support the trade between two countries while contributing to the realization of the China's "One Belt One Road" initiative and Turkey's "the Middle Corridor Plan".

The Bank's values;

- Professionalism
- Integrity
- Performance
- Responsibility
- Innovation
- Prudence

In the recruitment processes, the Bank concentrates to hire new employees who are in line with the global values of the Bank, who pursue excellence, are honest, responsible, open to development and are prone to team work.

In the future, the Bank aims to hire experienced and competent professionals in line with its vision, mission and values.

It is aimed in the Bank to support the professional and personal development of the employees through training and development activities such as internal trainings, oversea trainings organized by the Parent Company in China and trainings of The Banks Association of Turkey.



With performance management process, the Bank aims to achieve to establish moderate incentive and constraint mechanism, to enhance the duty performance capacity of employees at various levels and to improve the employees' career development and performance advancement.

As of 31 December 2019, number of employees in Bank of China Turkey A.Ş. is 39 (31 December 2018: 31) Bank of China Turkey A.Ş. pays attention to the implementation of the remuneration policy by providing equal opportunities to our employees, and ensuring that the practices related to remuneration and promotion are in compliance with the relevant legislation, ethical values and strategic objectives of the Bank.

With the remuneration policy, the Bank aims to bring new professionals to the Bank and to increase/maintain the motivation of the employees who has high level of performance. In the process of determining the remuneration policy, sectorial data are taken into consideration in order to show a competitive attitude in the sector, to bring new competent and experienced professionals to the Bank and increase the motivation of the employees.

Within the budget of the relevant year, salary increases are mainly based on some factors such as general inflation level in Turkey and the employee's performance in the relevant period.

### 9) Transactions of the Bank with the related Risk Group

The Bank carries out various transactions with the Group companies within the scope of its activities. The resulting profit/loss are associated with the income statement.

The operations of Bank of China Turkey A.Ş. with its risk group including the summary information are explained in detail in the footnotes of the financial statements.

Amount – Thousand TL	2019	2018
<b><i>Balance Sheet</i></b>		
Banks	8,768	20,739
Derivative financial assets valued at fair value through profit and loss	20,444	4,516
Borrowings	59,423	-
Other Liabilities	1,657	8,546
<b><i>Income Statement</i></b>		
Interest Income from banks	6	4
Interest Expense to banks	482	-
Fees and Commissions Income	16,877	3,145
Fee and Commission Expense	8	30
Profit/Loss on Derivative Financial Transactions	46,903	4,016
<b><i>Off-Balance Sheet</i></b>		
Guarantees and Letter of Credits	271,883	2,577
Derivatives	564,546	604,120

### 10) Information on the activities of the members of the governing body on behalf of the Bank itself or its printing activities and the activities within the scope of the activities within the scope of the Competition Ban

The Board of Directors members have made no transaction with the Bank on their or other persons' behalf pursuant to the permission given by the General Assembly and no activity within the scope of noncompetition has been carried by the board members. The Board of Directors has adopted all its resolutions unanimously within the year of 2019.

**11) Information on the subjects of activity and the persons and institutions from which the support is received in accordance with the Regulation on Authorization of Banks' Support Services and Authorization of Support Service Organizations**

<b>Name of Supporting Service Company</b>	<b>Explanation of Service</b>
Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Core Banking Application License and Application Service, Software Development and Support Service
IBM Global Services İş ve Teknoloji Hizmetleri ve Ticaret Ltd. Şti.	Primary Data Center Server Hosting Service
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Disaster Recovery Centre Server Hosting Service
Maro Uluslararası Bilgi Teknolojileri Danışmanlık, Geliştirme, Destek Hizmetleri Sanayi ve Ticaret A.Ş. (Maroteknoloji)	TCMB IBS system integration application development and support service

**C- FINANCIAL INFORMATION AND RISK MANAGEMENT ASSESSMENT**

**1) Independent Auditor's Report**

The attached independent auditor's report as of 31 December 2019 is presented to General Assembly.

**2) Information on risk management policies and risk management explanations by risk types**

Risk management covers the measurement and monitoring of risks, the control and reporting of risks within certain limits. Risk Management is independent from the executive units and fulfills her responsibilities to the Board of Directors through the Internal Systems Officer, Audit Committee and Risk Committee.

The policies for each of the quantifiable risks such as General Risk Policy and Credit Risk, Market Risk, Liquidity Risk, Operational risk have been established for the determination, measurement and control of the risks that the Bank may be exposed to due to its activities and have been approved and enacted by Board of Directors.

For these risks, written limits, early warning thresholds and risk appetite indicators were determined by the General Risk Limit Policy and approved by the Board of Directors.

The Internal Capital Adequacy Assessment Procedure for the determination of the internal capital requirements and the adequacy of the Bank has been approved by the Board of Directors.

The risk limits are reviewed regularly by the Internal Systems Officer, Head of Risk Management , Risk Committee and the Bank's senior management in a way not to exceed the legal limits stated in the legislation and if deemed necessary, they are redefined with the approval of the Board of Directors.

Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress test and scenario analyzes are carried out and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

### **Credit Risk Management**

The Bank identifies the credit risk as the credit risk by the borrower or by the counterparty from failing to pay the loan or failing to fulfill a contractual obligation. The general principles related to the credit risk management of the Bank are determined within the framework of the General Risk Management Policy and the limits for risk appetite are determined within the framework of the General Risk Limit Policy:

The Credit Policy has been established and approved by the Board of Directors in order to establish a credit risk management framework to manage credit risks; to help maintain a high level of credit portfolio quality; to support early detection and active management of real and potential credit issues in order to minimize the financial losses, and to ensure compliance with local legislation and main shareholder regulations on general and specific loan provisions. Together with the credit policy, Credit Payment Procedure; Credit Monitoring and Follow-up Procedure and Collateral Procedure constitute the Bank's credit risk management framework.

The main principle of the credit risk policy is to monitor and control the risk yield structure arising from the credit risk of the Bank and when necessary, determine the policies for correction; to identify, measure, report, monitor and control the risks to which the Bank is exposed when determining the procedure and limit and the risks arising from the transactions with the risk group of the Bank.

In order to mitigate all risks related to errors, deficiencies, irregularities and abuses and to prevent conflicts of interest; marketing, approval, disbursement and monitoring tasks of loans are executed by the authorities of different units by taking into consideration the principle of segregation of duties.

Credit limits are determined in line with the risk appetite of the Bank by taking into consideration the activity area of the companies, sector seasonality, risk profile, loss history, collateral structure and maturity of the loan. Credit limits are checked at both the counterparty level and the group level.

A rating system is used for the evaluation and examination of credits in the Bank; for discovering of early warning signals of deteriorated risks to allow for special monitoring of loans; for effectively managing problematic loans and for producing proper and effective risk-based pricing mechanisms.

The principle of triple defense line has been adopted in the management of credit risk. Controls of operational unit are the first line of defense; risk management, legal compliance and internal control the second line of defense; Internal Audit is the third line of defense. The Bank's credit risk measurement and monitoring activities are carried out directly by Risk Management under the Internal Systems Officer.

The Senior Management, Risk Committee and the Board of Directors are regularly informed about developments in the quality of the loan portfolio, stress test and scenario analysis, and limits on risk appetite.

### **Market Risk Management**

Bank defines the market risk as the risk of loss in value and return of in or off balance sheet assets as a result of changes in rates and prices in financial markets. Within the framework of the market risk policy, the Bank's basic principles regarding market risk management, duties and responsibilities of the parties involved in market risk management and the process of measuring, monitoring and reporting of market risk have been determined.

The limits for risk appetite are determined by the Board of Directors in the General Risk Limit Policy and monitored in this scope.

### **Liquidity Risk Management**

The Bank identifies liquidity risk as the risk of the Bank being unable to meet its liquidity requirements or to perform at an unreasonable cost

Under normal and stressful market conditions, liquidity risk is defined, measured, limited and reporting standards are set by Liquidity Risk Management Policy. This Policy is reviewed by the Risk Committee every year and approved by the Board of Directors when necessary. Where there is a significant change in the Bank's business strategy or legal requirements, the Board of Directors approves these changes in line with the recommendations of the Risk Committee.

The Bank's appetite for liquidity risk is determined under the General Risk Limit Policy. Business units are responsible for complying with the risk appetite determined within the framework of the General Risk Limit Policy and to remain within the limits.

### **Operational Risk Management**

The operational risk management framework includes all processes of identifying, measuring, evaluating, controlling, reducing, monitoring and reporting the operational risks that the Bank is exposed to. The Bank considers the need for operational risk management in strategic and operational planning, daily and operational risk management and decision taking mechanism at all levels within the organization. This policy aims at establishing an effective internal control system to ensure a secure banking environment in compliance with other internal regulations, applicable laws and other regulations. Activities are carried out to establish the operational risk culture across the Bank.

**3) Financial Benefits to Members of the Board of Directors and Senior Executives**

Total amount of the granted monetary advantages such as salary, premium, bonus to the Board of Directors members, within the year of 2019, is TL 4,689 thousand—gross (net: TL 2,768 thousand). There is no such payment made to the Board members not holding a certain executive or non-executive position/duty in the Bank. No attendance fee has been paid to any of the Board members.

**4) Information on ratings if any and ratings provided by rating agencies**

None.

**5) Information on the Bank's investments in the related accounting period**

**Tangible Asset Investment:**

As of 31 December 2019, the Bank has tangible fixed assets amounting to TL 24,746 thousand (31 December 2018: TL 5,503 thousand).

An important part of tangible fixed assets consists of operating lease development costs, vehicle, furniture and furnishing and office machinery mainly related to IT.

**Investment in Intangible Assets:**

As of 31 December 2019, the Bank has intangible assets amounting to TL 2,648 thousand (31 December 2018: TL 3,975 thousand).

Intangible assets are the operating license and development costs that the Bank pays for its systems.

**6) Information on Direct and Indirect Subsidiaries and Shares of the Bank**

The Bank does not have any direct or indirect affiliates.

**7) Information on the Bank's Own Shares**

None.

**8) Explanations on the Special Audit and Public Audit in the Accounting Period**

External audits were conducted by the independent auditor of the Bank with quarterly limited audits.

No special audit requests were made by the Bank's shareholders in 2019.

**9) Information on the Lawsuits against the Bank and the Cases and Possible Results That Can Affect the Bank's Financial Status and Activities**

None.

**10) Explanations Regarding the Administrative or Judicial Sanctions Imposed on the Members of the Bank and the Governing Body due to Unlawful Practices**

None.

**11) Information on the Rationale and the Reasons if the General Assembly Resolutions were not fulfilled, if the objectives were not met or if the resolutions were not fulfilled in the past periods**

Decisions of the past General Assembly were fulfilled.

**12) Extraordinary General Assembly Meetings within the Year**

No extraordinary general assembly meetings were held during 2019.

**13) Information on the Donations and Assistance Provided by the Bank within the Year and Expenditures within the Framework of Social Responsibility Projects**

TRY 36,946 donations were provided to TEMA VAKFI within 2019 (2018: None).

**14) Legal Transactions with the Beneficiary Company or a Company Based on a Dominant Enterprise or a Legal Entitlement to the Benefit of a Company Dependent on the Company, and Other Measures Avoided for the Beneficiary Company or a Company Dependent on it in the Previous Year**

Bank of China Turkey A.S. has performed legal transactions with Bank of China Limited and its foreign subsidiaries in the form of financial transactions.

None of these legal transactions were performed in accordance with the initiative or interest of Bank of China Limited or its related companies.

In all these legal proceedings, the agreements were concluded as it is signed between third parties. In accordance with the initiative or interest of Bank of China Limited or its affiliated companies, no prevention has been applied that would result in damage to the Bank.

Information on the transactions carried out within the Group Companies is detailed in the Bank's Affiliation Report.

**15) Information if the above-mentioned legal process is taken or the measure is taken or avoided at the moment according to their own circumstances and conditions, according to each legal act is provided in an appropriate manner and whether the provision of measures taken from the Company to prevent the damage of the Company did not hurt, whether the loss of the Company is not equivalent or equalized**

As of the date of the transactions conducted between Bank of China Turkey A.S. and Bank of China Limited and other subsidiaries of the main shareholder, there are no circumstances or conditions existing for the beneficiary of Bank of China Limited or its affiliated parties.

There is no measure taken by the Bank in favor of these companies and there is no harm to the Bank.



## E- FINANCIAL INFORMATION

### 1) Analysis and evaluation of the management body on the financial situation and activity results, the degree of realization of the planned activities, the status of the Bank against the determined strategic targets

During 2019, the first full year of operation of Bank of China Turkey A.Ş., the number of customers and transaction volume increased in line with Bank of China Limited's global strategies. In 2020, we aim to reinforce the perception of a reliable, permanent and global business partner by establishing long term relationships with its customers.

In line with the targets set by the Board of Directors, an annual budget is created and the compliance of the operating results with the budget is monitored. Profit/Loss Balances, Balance Sheet and risk-weighted assets are approved by the Board of Directors within the scope of the internal capital adequacy process.

The decisions taken by the General Assembly are carried out by the Board of Directors without exception.

### 2) Information on the Bank's sales, efficiency, revenue generation capacity, profitability, debt / equity ratio and other issues that will give an idea about the results of bank operations compared to previous years and prospective expectations

Bank of China Turkey A.Ş. started its activities on May 09, 2018 after a rather long intense preparation period. During 2019, the first full year of operation of Bank of China Turkey A.Ş., loans, the major component of our Bank's assets, reached TL 568,012 thousand at year's end, increased by 85% compared to 2018. 37% of cash loans are in TRY and 63% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TL 677,701 thousand, excluding receivables from the Central Bank of Turkey.

On the liabilities side, Bank of China Turkey A.Ş.'s borrowings are TRY 59,423 thousand in 2019. Demand and time deposits from non-banking clients are TRY 75,685 thousand.

Bank of China Turkey A.Ş. reported net interest income of TL 215,849 thousand in 2019. Profit before taxes from continuing operations amounted to TL 253,622 thousand. The Bank's net income after tax and provisions is TL 194.404 thousand for the fiscal year.

As of 31 December 2019, the Bank has a total of TL 1,245,477 thousand non-cash loans (31 December 2018: TL 84,404 thousand) consisting of letters of guarantee amounting to TL 271,883 thousand (31 December 2018 : TL 2,577 thousand) and other guarantees amounting to TL 973,594 thousand. (31 December 2018 : TL 81,827 thousand)

At end-2019, the Bank reported total shareholders' equity of TRY 1,446,435 thousand, up TRY 194,389 thousand.

As of 31 December 2019, the Bank's capital adequacy ratio is 63.32% (31 December 2018: 190.69%) and is well above the minimum rate determined by the relevant legislation. At the same time, the Bank's liquidity and FX rates are above the minimum level determined by the legislation.

**3) Assessment and management body evaluations regarding whether the capital of the Bank is unrequited or whether it is submerged in debt or not**

None.

**4) Measures to be taken to improve the financial structure of the Bank, if any**

None.

**5) Explanations on government incentives**

None.

**6) Information on the Dividend Distribution Policy and the proposal on how to use the undistributed profit if the profit distribution will not be made**

The allocation of the net profit is at the discretion of the General Assembly. In the General Assembly to be held in 2020, it will be decided to add net profit after tax of TL 194,404 thousand to the profit reserves.

**7) Summary financial information for a period of five years including the reporting period**

The comparative financial information of the Bank for the past periods is presented in the previous sections of the Annual Report.

**F- OTHER**

**1) Disclosures about special events that occurred in the Bank after the end of the operating year and which may affect the rights of shareholders, creditors and other related persons and organizations**

None.

**2) Additional information deemed appropriate by the governing body**

None.

# **BANK OF CHINA TURKEY ANONİM ŐİRKETİ**

## **UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(Convenience translation of publicly announced unconsolidated financial statements, related disclosures and auditor's report originally issued in Turkish)**

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank of China Turkey Anonim Şirketi:

### A) Audit of Unconsolidated Financial Statements

#### Opinion

We have audited the accompanying unconsolidated financial statements of Bank of China Turkey Anonim Şirketi (the Bank), which comprise the statement of financial position as at December 31, 2019, and unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

#### Basis for Opinion

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

#### Key Audit Matters

We have not determined any key audit matter to be communicated in our report.

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

### **Responsibilities of Management and Directors for the Unconsolidated Financial Statements**

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

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

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

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

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

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

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

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

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

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

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

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

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

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

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2019 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

#### **Additional paragraph for convenience translation to English**

As explained in detail in Note 1 of Section 3, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

The engagement partner who supervised and concluded this independent auditor's report is Fatih Polat.

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



Fatih Polat, SMMM  
Partner  
25 February 2020  
Istanbul, Turkey



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


THE UNCONSOLIDATED FINANCIAL REPORT OF  
BANK OF CHINA TURKEY A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2019

Address : Esentepe Mahallesi Büyükdere Caddesi, Tekfen Tower No 209 Şişli-İstanbul  
Telephone : (0 212) 260 88 88  
Fax : (0 212) 279 88 66  
Web site : [www.bankofchina.com.tr](http://www.bankofchina.com.tr)  
E-mail : [contact@bankofchina.com.tr](mailto:contact@bankofchina.com.tr)

The unconsolidated yearend financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

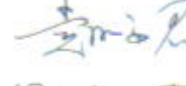
The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures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

  
Bin CHEN

Bin CHEN  
Chairman of the  
Board of Directors

  
Ruojie LI

Ruojie LI  
Member of the  
Board of Directors and  
General Manager

  
Pengjun DANG

Pengjun DANG  
Deputy Chairman of the  
Board of Directors and  
Chairman of the Audit  
Committee



Özgür DALGIÇ  
Member of the  
Board of Directors and  
Member of the Audit  
Committee



Dalei DING  
Assistant General Manager



Fang LONG  
Head of Financial and  
Operational Control  
Department



Elif GÜMRAH  
Financial Reporting and  
Budgeting Manager

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

Name-Surname/Title : Elif Gümrah / Financial Reporting and Budgeting Manager  
Telephone Number : (0 212) 386 01 32



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**Notes to the unconsolidated financial statements  
as of December 31, 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)***SECTION ONE  
GENERAL INFORMATION****I. History of the Bank including its corporation date, initial status and amendments to the initial status**

Bank of China Limited (“the Parent Company”) began its activities in Turkey through Bank of China Limited Turkey Representative Office opened in 2011. Banking Regulation and Supervisory Agency (BRSA) authorized the Bank to establish a deposit bank in Turkey with the decision numbered 6880 dated 2 May 2016. As BRSA’s establishment permission, as per the decision numbered 7612 dated 1 December 2017 and published on the Official Gazette no 30263 dated 7 December 2017, the Bank got the official operational license, with 99.99% of shareholding of the Parent Company; the Bank has been announced in the Trade Registry Gazette dated 17 January 2017, numbered 9243 along with the Articles of Association dated 10 January 2017.

The Bank started its banking activities on May 9, 2018.

**II. Capital structure, shareholders controlling the management and supervision of the Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to**

Besides being one of the biggest public banks in the People’s Republic of China, the Parent Company, Bank of China Limited, who holds 99.99% of the Bank’s shares, is also one of the biggest banks in the world and has a respectable reputation for over a hundred years. Since the establishment of the London Branch in 1929, which was the first overseas branch, Bank of China, who represents the People’s Republic of China best in the international arena, established its representative office in 2011, in Istanbul, Turkey. There has not been any changes in the Bank’s partnership structure in 2019.

**III. Information on the Board of Directors, Members of the Audit Committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess**

Members of the Bank’s Board of Directors, Audit Committee Members, General Manager and Deputies as of December 31, 2019 are stated below. None of the members of the Board of Directors (including General Manager) has shareholding interest in the Bank.

The Chairman and the Members of the Board of the Directors:

<b>Name</b>	<b>Title</b>	<b>Assigned Date</b>	<b>Education</b>
Bin CHEN	Chairman of the Board of Directors	January 10, 2017	PHD Degree
Ruojie LI	Member of the Board of Directors and General Manager	January 10, 2017	Master Degree
Xiaoyu LIU	Member of the Board of Directors	January 10, 2017	Master Degree
Pengjun DANG	Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	January 10, 2017	Master Degree
Özgür DALGIÇ	Member of the Board of Directors	January 10, 2017	Master Degree

Members of the Audit Committee:

<b>Name</b>	<b>Title</b>	<b>Assigned Date</b>	<b>Education</b>
Pengjun DANG	Chairman of the Audit Committee	May 4, 2017	Master Degree
Özgür DALGIÇ	Member of the Audit Committee Responsible for Internal Systems	May 4, 2017	Master Degree

Assistant General Manager:

<b>Name</b>	<b>Title</b>	<b>Assigned Date</b>	<b>Education</b>
Dalei DING	Deputy of General Manager and Assistant General Manager Responsible for Financial Management and Control, Information Technologies, Credit Allocation, Human Resources and Administrative Affairs of the Bank	June,3 2019	Bachelor Degree

**Notes to the unconsolidated financial statements  
as of December 31, 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)***IV. Information on the Banks' Qualified Shareholders**

In accordance with the definition of qualified share in the Banking Law numbered 5411 and Article 13 of the Regulation on the Bank's Transactions Subject to Permission and Indirect Shareholding, qualified shareholders are given below;

<b>Name Surname/Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Capital</b>
Bank of China Limited	1,051,229	99.99%	1,051,229	-

**V. Summary Information on the Bank's Functions and Business Lines**

As it is stated in Article 3 of the Articles of Association, the objective and purpose of the Bank whose General Directorate is located in Istanbul, is that the main field of activity is corporate banking. As of December 31, 2019, the Bank serves with 39 employees. (December 31, 2018: 31)

**VI. Differences between the communique 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**

None.

**VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Bank and its subsidiaries and repayment of debts**

None.

**SECTION TWO**  
**UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Unconsolidated Balance Sheet (Statement of Financial Position)
- II. Unconsolidated Statement of Off-Balance Sheet Items
- III. Unconsolidated Profit/Loss Statement
- IV. Unconsolidated Statement of Profit/Loss and Other Comprehensive Income
- V. Unconsolidated Statement of Changes in Shareholders' Equity
- VI. Unconsolidated Statement of Cash Flows
- VII. Unconsolidated Statement of Profit Distribution

**Unconsolidated balance sheet (statement of financial position)  
as of December 31, 2019**

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

ASSETS	Note (Section Five)	Audited Current period 31.12.2019			Audited Prior period 31.12.2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>692,109</b>	<b>48,895</b>	<b>741,004</b>	<b>939,514</b>	<b>31,392</b>	<b>970,906</b>
1.1 Cash and cash equivalents		671,665	48,895	720,560	934,998	31,392	966,390
1.1.1 Cash and balances at central bank	(5.1.1)	2,805	40,054	42,859	5,859	10,562	16,421
1.1.2 Banks	(5.1.4)	668,860	8,841	677,701	929,139	20,830	949,969
1.1.3 Money Market Placements		-	-	-	-	-	-
1.2 Financial assets at fair value through profit or loss		-	-	-	-	-	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity securities		-	-	-	-	-	-
1.2.3 Other financial assets		-	-	-	-	-	-
1.3 Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
1.3.1 Government debt securities		-	-	-	-	-	-
1.3.2 Equity securities		-	-	-	-	-	-
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5.1.3)	20,444	-	20,444	4,516	-	4,516
1.4.1 Derivative financial assets at fair value through profit and loss		20,444	-	20,444	4,516	-	4,516
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. LOANS MEASURED AT AMORTISED COST (Net)</b>		<b>537,558</b>	<b>359,875</b>	<b>897,433</b>	<b>-</b>	<b>306,590</b>	<b>306,590</b>
2.1 Loans	(5.1.6)	208,137	359,875	568,012	-	306,590	306,590
2.2 Lease receivables		-	-	-	-	-	-
2.3 Factoring receivables		-	-	-	-	-	-
2.4 Loans measured at amortised cost	(5.1.7)	329,421	-	329,421	-	-	-
2.4.1 Government debt securities		329,421	-	329,421	-	-	-
2.4.2 Other financial assets		-	-	-	-	-	-
2.5 Non-performing loans		-	-	-	-	-	-
2.6 Expected credit losses (-)		-	-	-	-	-	-
<b>III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Held for sale		-	-	-	-	-	-
3.2 Discontinued operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Investments in associates (net)		-	-	-	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Unconsolidated associates		-	-	-	-	-	-
4.2 Subsidiaries (net)		-	-	-	-	-	-
4.2.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (net)		-	-	-	-	-	-
4.3.1 Joint ventures valued based on equity method		-	-	-	-	-	-
4.3.2 Unconsolidated jointly ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(5.1.13)	<b>24,746</b>	<b>-</b>	<b>24,746</b>	<b>5,503</b>	<b>-</b>	<b>5,503</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(5.1.14)	<b>2,648</b>	<b>-</b>	<b>2,648</b>	<b>3,975</b>	<b>-</b>	<b>3,975</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		2,648	-	2,648	3,975	-	3,975
<b>VII. INVESTMENT PROPERTY (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,032</b>	<b>-</b>	<b>1,032</b>
<b>IX. DEFERRED TAX ASSET</b>	(5.1.16)	<b>5,228</b>	<b>-</b>	<b>5,228</b>	<b>1,393</b>	<b>-</b>	<b>1,393</b>
<b>X. OTHER ASSETS</b>	(5.1.18)	<b>1,994</b>	<b>3,917</b>	<b>5,911</b>	<b>733</b>	<b>1,669</b>	<b>2,402</b>
<b>TOTAL ASSETS</b>		<b>1,264,283</b>	<b>412,687</b>	<b>1,676,970</b>	<b>952,150</b>	<b>339,651</b>	<b>1,291,801</b>

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

**Unconsolidated balance sheet (statement of financial position)  
as of December 31, 2019**

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

LIABILITIES	Note (Section Five)	Audited Current period 31.12.2019			Audited Prior period 31.12.2018		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(5.II.1)	75,677	8	75,685	1	3	4
<b>II. LOAN RECEIVED</b>	(5.II.3)	-	59,423	59,423	-	-	-
<b>III. MONEY MARKET FUNDS</b>		-	-	-	-	-	-
<b>IV. MARKETABLE SECURITIES (Net)</b>		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(5.II.2)	-	-	-	-	-	-
7.1 Derivative financial liabilities at fair value through profit or loss		-	-	-	-	-	-
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(5.II.5)	330	22,082	22,412	-	-	-
<b>X. PROVISIONS</b>	(5.II.7)	40,626	-	40,626	23,549	-	23,549
10.1 General loan loss provisions		35,589	-	35,589	20,347	-	20,347
10.2 Provisions for restructuring		-	-	-	-	-	-
10.3 Reserve for employee benefits		5,037	-	5,037	3,202	-	3,202
10.4 Insurance technical reserves (Net)		-	-	-	-	-	-
10.5 Other provisions		-	-	-	-	-	-
<b>XI. CURRENT TAX LIABILITIES</b>	(5.II.8)	19,484	-	19,484	2,348	-	2,348
<b>XII. DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBTS</b>		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	(5.II.4)	10,996	1,909	12,905	5,738	8,116	13,854
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.II.11)	1,446,435	-	1,446,435	1,252,046	-	1,252,046
16.1 Paid-in capital		1,051,230	-	1,051,230	1,051,230	-	1,051,230
16.2 Capital reserves		-	-	-	-	-	-
16.2.1 Equity share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		-	-	-	-	-	-
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		(19)	-	(19)	(4)	-	(4)
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-	-	-	-
16.5 Profit reserves		200,820	-	200,820	86,086	-	86,086
16.5.1 Legal reserves		10,041	-	10,041	4,304	-	4,304
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		190,779	-	190,779	81,782	-	81,782
16.5.4 Other profit reserves		-	-	-	-	-	-
16.6 Profit or loss		194,404	-	194,404	114,734	-	114,734
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		194,404	-	194,404	114,734	-	114,734
16.7 Minority Shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,593,548</b>	<b>83,422</b>	<b>1,676,970</b>	<b>1,283,682</b>	<b>8,119</b>	<b>1,291,801</b>

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

**BANK OF CHINA TURKEY A.Ş.**
**Unconsolidated statement of off-balance sheet commitments  
as of December 31, 2019**
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

	Note (Section Five)	Audited Current period 31.12.2019			Audited Prior period 31.12.2018		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(5.III.1)</b>	<b>514,047</b>	<b>1,295,976</b>	<b>1,810,023</b>	<b>302,010</b>	<b>386,514</b>	<b>688,524</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>245,594</b>	<b>999,883</b>	<b>1,245,477</b>	-	<b>84,404</b>	<b>84,404</b>
1.1 Letters of Guarantee		245,594	26,289	271,883	-	2,577	2,577
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		245,594	26,289	271,883	-	2,577	2,577
1.2 Bank Acceptances		-	-	-	-	-	-
1.2.1 Import Letter of Acceptance		-	-	-	-	-	-
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	-	-	-	-	-
1.3.1 Documentary Letters of Credit		-	-	-	-	-	-
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 Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	973,594	973,594	-	81,827	81,827
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		-	-	-	-	-	-
2.1 Irrevocable Commitments		-	-	-	-	-	-
2.1.1 Asset Purchase Commitments		-	-	-	-	-	-
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10 Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		-	-	-	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(5.III.2)</b>	<b>268,453</b>	<b>296,093</b>	<b>564,546</b>	<b>302,010</b>	<b>302,110</b>	<b>604,120</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair Value Hedges		-	-	-	-	-	-
3.1.2 Cash Flow Hedges		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		268,453	296,093	564,546	302,010	302,110	604,120
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		268,453	296,093	564,546	302,010	302,110	604,120
3.2.2.1 Foreign Currency Swap-Buy		268,453	-	268,453	302,010	-	302,010
3.2.2.2 Foreign Currency Swap-Sell		-	296,093	296,093	-	302,110	302,110
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest Rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		-	<b>130,680</b>	<b>130,680</b>	-	-	-
<b>IV. ITEMS HELD IN CUSTODY</b>		-	-	-	-	-	-
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		-	-	-	-	-	-
4.3 Cheques Received for Collection		-	-	-	-	-	-
4.4 Commercial Notes Received for Collection		-	-	-	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		-	<b>130,680</b>	<b>130,680</b>	-	-	-
5.1 Marketable Securities		-	-	-	-	-	-
5.2 Guarantee Notes		-	-	-	-	-	-
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		-	130,680	130,680	-	-	-
5.6 Other Pledged Items		-	-	-	-	-	-
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>514,047</b>	<b>1,426,</b>	<b>1,940,703</b>	<b>302,010</b>	<b>386,514</b>	<b>688,524</b>

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

**BANK OF CHINA TURKEY A.Ş.**
**Unconsolidated statement of profit/loss for the period ended December 31, 2019**
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

INCOME AND EXPENSE ITEMS	Note (section five)	Audited	
		Current period	
		01.01.2019-31.12.2019	01.01.2018-31.12.2018
<b>I. INTEREST INCOME</b>	<b>(5.IV.1)</b>	<b>235,189</b>	<b>184,365</b>
1.1 Interest from Loans		42,916	4,480
1.2 Interest from Reserve Deposits		2	-
1.3 Interest from Banks		174,556	179,885
1.4 Interest from Money Market Transactions		-	-
1.5 Interest from Marketable Securities Portfolio		17,715	-
1.5.1 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		-	-
1.5.3 Financial Assets Measured at Amortized Cost		17,715	-
1.6 Interest from Financial Leases		-	-
1.7 Other Interest Income		-	-
<b>II. INTEREST EXPENSE</b>	<b>(5.IV.2)</b>	<b>19,340</b>	<b>2</b>
2.1 Interest on Deposits		17,838	2
2.2 Interest on Funds Borrowed		473	-
2.3 Interest Expense on Money Market Transactions		-	-
2.4 Interest on Securities Issued		-	-
2.5 Lease Interest Expenses		1,019	-
2.6 Other Interest Expenses		10	-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>215,849</b>	<b>184,363</b>
<b>IV. NET FEES AND COMMISSIONS INCOME / LOSSES</b>		<b>17,650</b>	<b>3,083</b>
4.1 Fees and Commissions Received		17,723	3,113
4.1.1 Non-cash Loans		15,691	2,680
4.1.2 Other		2,032	433
4.2 Fees and Commissions Paid		73	30
4.2.1 Non-cash Loans		-	-
4.2.2 Other		73	30
<b>V. DIVIDEND INCOME</b>	<b>(5.IV.3)</b>	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSS (Net)</b>	<b>(5.IV.4)</b>	<b>78,257</b>	<b>31,047</b>
6.1 Profit / Loss on Securities Trading		-	-
6.2 Profit / Loss on Derivative Financial Transactions		46,903	4,016
6.3 Foreign Exchange Gains / Losses		31,354	27,031
<b>VII. OTHER OPERATING INCOME</b>	<b>(5.IV.5)</b>	<b>60</b>	<b>102</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>311,816</b>	<b>218,595</b>
<b>IX. LOAN PROVISIONS (-)</b>	<b>(5.IV.6)</b>	<b>15,242</b>	<b>20,347</b>
<b>X. PERSONEL EXPENSES (-)</b>		<b>18,330</b>	<b>14,293</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(5.IV.7)</b>	<b>24,622</b>	<b>29,432</b>
<b>XII. NET OPERATING PROFIT / LOSS (VIII-IX-X-XI)</b>		<b>253,622</b>	<b>154,523</b>
<b>XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIV. INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XV. GAIN / LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>(5.IV.8)</b>	<b>253,622</b>	<b>154,523</b>
<b>XVII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>(5.IV.9)</b>	<b>(59,218)</b>	<b>(39,789)</b>
17.1 Current Tax Provision		(63,048)	(41,355)
17.2 Expense Effect of Deferred Tax		(1,676)	(213)
17.3 Income Effect of Deferred Tax		5,506	1,779
<b>XVIII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XVI±XVII)</b>	<b>(5.IV.10)</b>	<b>194,404</b>	<b>114,734</b>
<b>XIX. PROFIT FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
19.1 Income From Assets Held for Sale		-	-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Income From Discontinued Operations		-	-
<b>XX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1 Expenses on Assets Held for Sale		-	-
20.2 Losses from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Other Expenses From Discontinued Operations		-	-
<b>XXI. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
22.1 Current Tax Provision		-	-
22.2 Expense Effect of Deferred Tax		-	-
22.3 Income Effect of Deferred Tax		-	-
<b>XXIII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>NET PROFIT / LOSS (XVIII+XXIII)</b>		<b>194,404</b>	<b>114,734</b>
Profit/Loss per share	<b>(5.IV.11)</b>	0.1849	0.1091



**BANK OF CHINA TURKEY A.Ş.****Unconsolidated statement of profit/loss and other comprehensive income  
for the period ended December 31, 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

	Audited 01.01.2019-31.12.2019	Audited 01.01.2018-31.12.2018
<b>CURRENT PERIOD INCOME/LOSS</b>	<b>194,404</b>	<b>114,734</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(19)</b>	<b>(4)</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(19)</b>	<b>(4)</b>
Gains (Losses) on Revaluation of Property and Equipment	-	-
Gains (Losses) on Revaluation of Intangible Assets	-	-
Gains (Losses) on Remeasurements of Defined Benefit Plans	(25)	(5)
Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-	-
Taxes Relating to Components Of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	6	1
<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>-</b>	<b>-</b>
Exchange Differences on Translation	-	-
Valuation and/or Reclassification Profit or Loss From Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Income (Loss) Related with Cash Flow Hedges	-	-
Income (Loss) Related with Hedges of Net Investment Foreign Operations	-	-
Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>194,385</b>	<b>114,730</b>

**BANK OF CHINA TURKEY A.Ş.**
**Statement of changes in shareholders equity  
for the period ended December 31, 2019**
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

Current period (31.12.2019)	Section 5 Note V	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss						Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total Equity
						1	2	3	4	5	6				
I. Balances at beginning of the period (*)		1,051,230	-	-	-	-	(4)	-	-	-	-	86,086	-	114,734	1,252,046
II. Correction made as per TAS 8 (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)		1,051,230	-	-	-	-	(4)	-	-	-	-	86,086	-	114,734	1,252,046
IV. Total Comprehensive Income		-	-	-	-	-	(15)	-	-	-	-	-	-	194,404	194,389
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution		-	-	-	-	-	-	-	-	-	-	114,734	-	(114,734)	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	114,734	-	(114,734)	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period (III+IV+.....+X+XI)</b>		<b>1,051,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,820</b>	<b>-</b>	<b>194,404</b>	<b>1,446,435</b>

Prior period (31.12.2018)	Section 5 Note V	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss						Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total Equity
						1	2	3	4	5	6				
I. Balances at beginning of the period (*)		1,051,230	-	-	-	-	-	-	-	-	-	-	-	86,086	1,137,316
II. Correction made as per TAS 8 (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)		1,051,230	-	-	-	-	-	-	-	-	-	-	-	86,086	1,137,316
IV. Total Comprehensive Income		-	-	-	-	-	(4)	-	-	-	-	-	-	114,734	114,730
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution		-	-	-	-	-	-	-	-	-	-	86,086	-	(86,086)	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	86,086	-	(86,086)	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period (III+IV+.....+X+XI)</b>		<b>1,051,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,086</b>	<b>-</b>	<b>114,734</b>	<b>1,252,046</b>

1. Tangible and Intangible Asset Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans

3. Other (Other comprehensive income of Associates and Joint Ventures Accounted for Using Equity Method That Will Not Be Reclassified to Profit or Loss and Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

5. Accumulated Gains(Losses) due to revolution and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Other (Accumulated gains or losses on Cash flow hedge, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

**Statement of cash flows**  
**for the period January 1 - December 31, 2019**

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

STATEMENT OF CASH FLOWS		Note	Audited	
			Current period 01.01.2019-31.12.2019	Prior period 01.01.2018-31.12.2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	<b>Operating profit before changes in operating assets and liabilities</b>	5.IV.3	151,734	101,130
1.1.1	Interest received (+)		222,346	175,395
1.1.2	Interest paid (-)		10,087	2
1.1.3	Dividend received (+)		-	-
1.1.4	Fees and commissions received (+)		24,708	7,934
1.1.5	Other income (+)		59	-
1.1.6	Collections from previously written off loans and other receivables (+)		-	-
1.1.7	Payments to personnel and service suppliers (-)		27,424	29,650
1.1.8	Taxes paid (-)		57,868	52,547
1.1.9	Other (+/-)		-	-
1.2	<b>Changes in Operating Assets and Liabilities</b>		<b>(54,133)</b>	<b>(289,482)</b>
1.2.1	Net increase (decrease) in financial assets at fair value through profit or loss (+/-)		-	-
1.2.2	Net increase (decrease) in due from banks (+/-)		39,574	-
1.2.3	Net increase (decrease) in loans		(220,970)	(274,760)
1.2.4	Net increase (decrease) in other assets (+/-)		(3,509)	(2,112)
1.2.5	Net increase (decrease) in bank deposits (+/-)		-	-
1.2.6	Net increase (decrease) in other deposits (+/-)		75,062	4
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-	-
1.2.8	Net increase (decrease) in funds borrowed (+/-)		56,659	-
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)		(949)	(12,614)
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>97,601</b>	<b>(188,352)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities (+/-)</b>		<b>(337,556)</b>	<b>-</b>
2.1	Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2	Cash obtained for acquisition of investments, associates and subsidiaries		-	-
2.3	Purchases of property and equipment (-)		25,087	-
2.4	Disposals of property and equipment (+)		-	-
2.5	Cash paid for purchase of financial assets available- for sale (-)		-	-
2.6	Cash obtained from sale of financial assets available- for sale (+)		-	-
2.7	Cash paid for purchase of investment securities (-)		312,469	-
2.8	Cash obtained from sale of investment securities (+)		-	-
2.9	Other (+)		-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from financing activities (+/-)</b>		<b>-</b>	<b>-</b>
3.1	Cash obtained from funds borrowed and securities issued (+)		-	-
3.2	Cash used for repayment of funds borrowed and securities issued (-)		-	-
3.3	Issued equity instruments (+)		-	-
3.4	Dividends paid (-)		-	-
3.5	Payments for financial leases (-)		-	-
3.6	Other (+/-)		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(6,660)</b>	<b>(4,799)</b>
<b>V.</b>	<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>		<b>(246,615)</b>	<b>(193,151)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of period</b>	5.IV.2	<b>963,359</b>	<b>1,156,510</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of period</b>	5.IV.2	<b>716,744</b>	<b>963,359</b>

**Statement of profit distribution  
for the period January 1 - December 31, 2019**

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

	Audited Current period 01.01.2019-31.12.2019(*)	Audited Prior period 01.01.2018-31.12.2018
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	253,622	154,523
1.2 TAXES AND DUTIES PAYABLE (-)	59,218	39,789
1.2.1 Corporate Tax (Income tax)	63,048	41,355
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties(**)	(3,830)	(1,566)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>194,404</b>	<b>114,734</b>
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 IRST LEGAL RESERVES (-)	-	5,737
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>108,997</b>
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 (-)	-	108,997
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE (**)</b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,1849	0,1091
3.2 TO OWNERS OF ORDINARY SHARES ( % )	18,493	10,914
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
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 ( % )	-	-

(\*) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(\*\*) It is considered by the BRSA that the revenue amount related to deferred tax assets cannot be considered as cash or internal resources and therefore should not be subject to the distribution of the profit for the period. As of December 31, 2019, the Bank has deferred tax expense amounting to TL 3.830 (December 31, 2018: TL 1.556 deferred tax expense).

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

**a. Preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures on the Accounting Practice and Documentation of Banks**

The Bank prepared the accompanying financial statements in accordance with the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("KGK"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA").

The format and detail of the publicly announced selected financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and amendments to this Communiqué. The Bank maintains its books of account in Turkish Lira in accordance with the Banking Law, Turkish commercial Code and Turkish Tax Legislation.

The financial statements have been prepared in Turkish Lira (TL), based on the historical cost basis except for the financial assets, liabilities and derivatives which are expressed with their fair values.

On May 2, 2016, the Bank obtained permission from BRSA to establish as a deposit bank. The Bank obtained its permission to operate on 7 December 2017 and started its banking activities on 9 May 2018.

Exception request for the transition to the corresponding provision calculations of "TFRS 9 Financial Instruments" standard, effective as of January 1, 2018, has been approved by BRSA with the letter numbered 32521522-101.02.02 [68] -E.4652 and dated in 3 April 2018. In this respect, the Bank allocates general and special provisions within the scope of 10th, 11th, 13th and 15th articles of "Regulation on Procedures and Principles for the Classification of Loans and Provisions to be Reserved for Such Loans".

The format and detail of the publicly announced selected financial statements and notes to these statements for prior period have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements and Amendments to this Communiqué" which published in Official Gazette on February 1, 2019 with 30673 reference number.

**Additional paragraph for convenience translation into English of financial statements originally issued in Turkish**

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

**b. Accounting policies and valuation principles applied in preparation of financial statements**

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in regulations, communiqués, statements and guidance published by the BRSA and if there is no special regulation by the BRSA, in accordance with the principles within TAS / TFRS. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXII below.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**I. BASIS OF PRESENTATION (continued)**

**b. Accounting policies and valuation principles applied in preparation of financial statements (continued)**

In preparation of selected financial statements in accordance with TAS, the Bank's management is required to make assumptions and estimates about the assets and liabilities on the balance sheet and the contingent issues as of the balance sheet date. Such assumptions and estimates are regularly reviewed, necessary corrections are made and details of the effects of these corrections are reflected in the income statement as explained in the related footnotes.

**c. Classification changes in financial statements**

None.

**d. Changes in accounting policies**

Effective 1 January 2019, The Bank adopted TFRS 16 Leases and started to present most leases on balance sheet except its short term leases and its low value assets. The Bank did not restate the financial information for the comparative year by choosing the modified approach.

**II. EXPLANATIONS ON THE USAGE STRATEGY OF FINANCIAL INSTRUMENTS AND ON FOREIGN CURRENCY TRANSACTIONS**

The Bank operates in the fields of Corporate Banking and Treasury banking in Turkey. The Bank provides cash, non-cash loans, project financing and corporate finance services to its corporate customers under the umbrella of corporate banking.

The Bank's most important funding source is its capital. Most of the Bank's assets consist of placements made to banks. While capital is evaluated in high quality financial assets, an asset-liability management strategy is followed to keep interest, liquidity and exchange rate risks within certain limits. Foreign currency, interest and liquidity risks carried in the balance sheet and off-balance sheet assets and liabilities are managed within the framework of various risk limits and legal limits adopted by the Bank. The position of the Bank as a result of its foreign currency operations is kept at a minimum level and the foreign exchange rate risk is monitored within the framework of the Banking Law.

**Explanation on foreign currency transactions:**

Foreign exchange gains and losses arising from the foreign currency transactions are converted into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the periods, foreign currency assets and liabilities are converted into Turkish Lira by using the spot foreign currency exchange rates of the Bank at the end of the period and the related currency conversion differences are recognized as foreign exchange gains and losses.

**III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Bank's derivative instruments are classified as "Derivative Financial Assets Measured at Fair Value through Profit and Loss" or "Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income" in accordance with "TFRS 9".

In accordance with TFRS 9, forward foreign exchange contracts, swaps, options and futures transactions are classified as "Derivative Financial Assets Measured at Fair Value through Profit and Loss". Derivative transactions are recorded at their fair value at the date of the contract. In addition, liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts at contractual amounts.

As of December 31, the Bank has derivative financial asset is TL 20,444 which is classified as "Derivative Financial Assets Measured at Fair Value through Profit and Loss"(December 31, 2018: TL 4,516 Derivative Financial Asset).

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**IV. INFORMATION ON INTEREST INCOME AND EXPENSES**

Interest income and expenses are recognized as they are accrued using internal rate of return method.

**V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

According to the nature of fees and commissions; commission income / expenses collected for any future transaction are recognized on an accrual basis and other fee and commission income / expenses are recognized in accordance with TFRS 15 in the period in which they are incurred.

**VI. EXPLANATIONS ON FINANCIAL ASSETS**

Within the framework of the business plan, the Bank classifies and accounts for its financial assets as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income " or "Financial assets at amortized cost". Such financial assets are recognized or deducted according to the "Financial Statement Acquisition and Disclosure of Financial Statements" in the third part of TFRS 9 standard on classification and measurement of financial instruments published in the Official Gazette dated 19 January 2017 and numbered 29953. Financial assets are measured at fair value on initial recognition in the financial statements. In the first measurement of financial assets other than "Financial assets at fair value through profit or loss", transaction costs are added to fair value or deducted from fair value.

The Bank recognizes a financial asset only when it is a party to the contractual provisions of the financial instrument. The first time that a financial asset is included in the financial statements, the characteristics of the business model and the contractual cash flows of the financial asset are taken into account by the Bank Management. When the business model determined by the bank management is changed, all financial assets affected by this change are reclassified and the reclassification is applied in the future. In such cases, no adjustments are made to the earnings, losses or interests previously recognized in the financial statements.

The Bank has no financial assets at fair value through other comprehensive income as of December 31, 2019.

**Loans and Receivables:**

Loans are financial assets that have fixed or determinable payments and are not quoted on an active market. Such loans are initially recognized at cost with fair value reflecting transaction costs and are measured at amortized cost using the "effective interest rate (internal rate of return) method".

**Financial assets measured at amortized cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at their acquisition cost including the transaction costs which reflect the fair value of those instruments and are subsequently recognized at "Amortized Cost" by using "Effective Interest (Internal Efficiency) Rate" method. Interest income obtained from financial assets measured at amortized cost are accounted in the income statement.

**VII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS**

Within the scope of the authorization granted to the Bank from BRSA numbered 32521522-101.02.02[86]-E.4652 and dated 3 April 2018, as of December 31, 2018, the Bank has not applied the provisions regarding the impairment of TFRS 9; as of 1 January 2018, the Bank calculated and accounted allowances for impairment of financial assets in accordance with the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette No. 29750 dated 22 December 2016 and effective as of 1 January 2018, "General and specific provisions to be allocated to banks that do not apply TFRS 9".

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events ("loss/profit events") have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

**IX. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

Funds provided by the Bank for securities sold under agreements for repurchase agreements ("Repo") are followed in the legal records in the "Funds Provided under Repurchase Agreements" and "Funds Provided under Repurchase Agreements-FC" Accounts.

Securities subject to repo (repurchase agreements) are classified as "Financial assets at fair value through profit or loss" or "Financial assets at fair value through other comprehensive income" according to their purposes to be held in the Bank's portfolio. Revenues from securities subject to repo are accounted for in interest income and expenses paid under repurchase agreements are accounted in interest expense accounts.

Funds lent against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. Interest income accruals are calculated according to the "effective interest (internal rate of return) method" for the portion of the difference between repurchase agreements and purchase and resale prices. Difference between the purchase and resale prices determined by reverse repurchase agreements, the interest income accrual is calculated according to the "Effective interest rate method".

As of December 31, 2019, the Bank has no repo, reverse repo and foreclosed marketable securities (December 31, 2018: None).

**X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND THE RELATED LIABILITIES**

Assets held for sale, consist of tangible assets due to non-performing loans are accounted for in accordance with "TFRS 5 related to Held for Sale Fixed Assets and Discontinued Operations Turkey Financial Reporting Standards" in the financial statements.

A discontinued operation is part of a bank's business classified as disposed or held-for-sale. It refers to a separate main business line or the geographical area of its activities. It is a part of the sale of a separate main line of business or geographical area of operations alone in a coordinated plan, or is a subsidiary acquired solely for resale.

As of December 31, 2019, the Bank has no assets held for sale and discontinued operations (December 31, 2018: None).

**XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill represents the difference between the cost of goods sold and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree's entity / operation, and represents the payment made by the acquirer to the entity for future benefit recognition. Not included in the financial statements of the business acquired in business combinations; however, assets that are separable from goodwill, intangible assets (such as credit card brand value and customer portfolio) and / or contingent liabilities are recognized in the financial statements at fair value.

Goodwill calculated in accordance with TFRS 3 - Business Combinations Standard is not subject to amortization but instead is tested for impairment in accordance with TAS 36 - Impairment of Assets, more frequently, annually or in cases where the conditional changes in circumstances indicate it may be impaired.

Intangible assets are amortized using the straight-line method over their estimated useful lives. The determination of the useful life of the asset is made by assessing the expected duration of use of the asset, the technical, technological or other type of obsolescence and the maintenance costs required to obtain the expected economic benefit from the asset.

As of December 31, 2019, there is no goodwill in the accompanying financial statements (December 31, 2018: None).



**Notes to unconsolidated financial statements  
as at 31 December 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***XII. EXPLANATIONS ON TANGIBLE ASSETS**

In accordance with the "Accounting Standard for Tangible Fixed Assets" ("TAS 16"), the cost of the tangible assets is determined by adding the initial amounts of the tangible assets and other direct expenses required to make the asset available. Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

For assets that are less than an active accounting period, depreciation is provided for the amount of the depreciation for the full year, as measured by the proportion of the asset over the life of the asset.

If the carrying amount of an item of property, plant and equipment is greater than its market value, an impairment loss is recognized for the excess amount and the amount is recognized in the financial statements. Gains or losses arising from the disposal of tangible fixed assets are transferred to profit and loss accounts of the related period.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

<b>Tangible Assets</b>	<b>Estimated Useful Life (Year)</b>	<b>Amortization Rate (%)</b>
Operating Leases	8-9	11.11-12.5
Furniture	5	20
Office equipment	4-10	10-25
Safe	50	2
Vehicles	5	20

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

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

The Bank is a lessee in the offices used for the marketing of operational area services and operations, and there are no financial leasing transactions.

**Explanations on TAS 16 Leases Standard**

TAS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements. The Bank has started to apply the related standard on 1 January 2019.

**Measurement, Presentation and Reflection of Financial Leasings into Financial Statement**

The amount of the lease obligation is shown in the balance sheet as gross in proportion to the total of all cash payments under the contract and netted off with the interest expense arising from the contract. The usage right arising from the leasing transactions is capitalized at the date of the rental at the beginning of the lease by measuring the present value of the lease payments that have not been paid at that date. In this measurement, if the interest can be easily determined, the implied interest rate in the lease is used. If this ratio cannot be easily determined, the Bank's alternative borrowing interest rate announced by the Treasury Unit is used.

As a result of TAS 16 Standard implementation, as of December 31, 2019, the Bank has classified TL 19,095 operating lease into fixed assets and net operating lease liability is TL 22,412.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT ASSETS/LIABILITIES**

Provision is made in the financial statements if there is an existing obligation resulting from past events, it is probable that the obligation will be met and the obligation can be reliably measured. Provisions are calculated based on the Bank Management's best estimates of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material.

For liabilities that arise as a result of past events, provision is made if the probability of occurrence is high and the amount can be reliably estimated at the time when those liabilities are incurred.

Contingent assets usually consist of unplanned or other unexpected events that give rise to the possibility of entry into the business of economic benefits. The presentation of contingent assets in the financial statements is not included in the financial statements, as it may result in the recognition of an income that can never be obtained. Contingent assets are disclosed in the footnotes of financial statements if it is probable that the economic benefits will flow to the enterprise. Contingent assets are assessed on an ongoing basis to ensure that their development is accurately reflected in the financial statements. If it becomes almost certain that the economic benefit will enter the Bank, the related asset and related income are reflected in the financial statements of the period in which the change occurs.

**XV. EXPLANATION ON LIABILITIES RELATED TO EMPLOYEE RIGHTS**

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. In accordance with the revised TAS 19 employee benefits standard ("TAS 19"), such payments are recognized as defined benefit plans.

The retirement pay liability recognized in the balance sheet is calculated according to the present value of the amount of the liability expected to arise in the future due to retirement of all employees and reflected to the financial statements. Amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. Changes require that all actuarial losses and gains be accounted for as other comprehensive income immediately in order to reflect the full value of the net retirement asset or liability in the balance sheet. Changes to TAS 19 should be applied retrospectively.

**a. Defined benefit plans:**

According to the laws and collective agreements existing in Turkey, retirement pay is paid in case of retirement or dismissal. The Bank recognizes the provision for the rights of its employees by estimating the present value of its future probable obligation in the event of retirement or dismissal.

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

**b. Defined contribution plans:**

The Bank, on behalf of its employees, must pay contributions to the Social Security Institution (SSI) in the amount determined by law. Apart from the contribution paid by the Bank, there is no other obligation to pay to its employees or the SSI. These premiums are reflected to the personnel expenses in the period when they are accrued.

**c. Short-term benefits to employees:**

The liabilities arising from the vacation pay defined as "short-term benefits to employees" within the scope of TAS 19 are accrued and are not discounted at the periods when they are earned.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**XVI. EXPLANATIONS ON TAXATION**

**a. Corporate tax:**

As per the provisional article 91 of Law numbered 7061, which is added to Corporate Tax Law numbered 5520 corporate tax rate regarding 2018, 2019 and 2020 fiscal periods (accounting periods starting within the related period for companies which are assigned special accounting period) has been changed as 22%.

Since the applicable tax rate has been changed to 22% for the 2 years beginning from 31 December 2019, 22% tax rate is used in the deferred tax calculation of December 31, 2018 for the temporary differences expected to be realized/closed within 2 years (for the years 2020 and 2021). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Corporate tax declarations are prepared between 1st and 25th days of 4th month of the related fiscal year and are paid till the end of the following month in one installment.

The corporations and income tax provisions calculated over the period profits are recorded in the "Current Tax Liability" account in the liabilities and in the "Current Tax Provision" account in the income statement as expense.

According to the Turkish Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting entries can be examined within five years by tax office.

If there is no dividend distribution planned, no further tax charges are made. Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Current tax effect in regards to transactions directly accounted for in equity is also reflected to equity.

**b. Deferred tax:**

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Bank's deferred tax assets and liabilities are offsetted in unconsolidated balance sheet. As of December 31, 2019, the Bank has TL 5,228 deferred tax asset (December 31, 2018: TL 1,393 deferred tax asset).

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regards to transactions directly accounted for in equity is also reflected to equity and netted with related accounts.

In addition, deferred tax income is not subject to profit distribution and capital increase, if the income remains as a result of offsetting of the deferred tax asset and liabilities in accordance with the circular of the BRSA.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**XVI. EXPLANATIONS ON TAXATION (continued)**

**c. Transfer pricing:**

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail.

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. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer is subject to or exempt from tax.

As discussed under subject Communiqué’s 7.1 Annual Documentation section, 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.

**XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS**

The Bank’s fund resources consists of borrowing from foreign financial institutions, issued securities and money market debt .Instruments regarding borrowing are valued with their fair values and other financial liabilities are carried at “amortised cost” using the effective interest method. As of 31 December 2019, the Bank has obtained funds from foreign institutions amounting to TL 59.423 through the borrowing. (December 31, 2018: None).

**XVIII. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

None (December 31, 2018: None).

**XIX. EXPLANATIONS ON BANK ACCEPTANCES AND BILLS OF GUARANTEE**

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as being possible liabilities and commitments. As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset (December 31, 2018: None).

**XX. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of the balance sheet date, the Bank does not have any government incentives (December 31, 2018: None).

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

**XXI. EXPLANATIONS ON SEGMENT REPORTING**

The main segment of banking operations is Corporate Banking. As of December 31, 2019, the financial information per banking segments is presented below:

<b>Current period 31.12.2019</b>	<b>Corporate Banking</b>	<b>Fund Management</b>	<b>Unallocated</b>	<b>Total</b>
Operating income	58,941	252,815	60	311,816
Operating expense	1,035	14,207	42,952	58,194
Pretax income / (loss)	57,906	238,608	(42,892)	253,622
Tax provision (-)	-	-	(59,218)	(59,218)
<b>Net Profit / (Loss)</b>	<b>57,906</b>	<b>238,608</b>	<b>(102,110)</b>	<b>194,404</b>
Segment assets	568,012	1,070,425	38,533	1,676,970
Segment liabilities	153,853	16,844	59,838	230,535
Equity	-	1,446,435	-	1,446,435
<b>Prior period 31.12.2018</b>	<b>Corporate Banking</b>	<b>Fund Management</b>	<b>Unallocated</b>	<b>Total</b>
Operating income	7,563	210,932	102	218,597
Operating expense	4,532	15,815	43,727	64,074
Pretax income / (loss)	3,031	195,117	(43,625)	154,523
Tax provision (-)	-	-	(39,789)	(39,789)
<b>Net Profit / (Loss)</b>	<b>3,031</b>	<b>195,117</b>	<b>(83,414)</b>	<b>114,734</b>
Segment assets	306,590	970,906	14,305	1,291,801
Segment liabilities	4,536	15,815	19,404	39,755
Equity	-	1,252,046	-	1,252,046

**XXII. OTHER MATTERS**

None.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

**SECTION FOUR**

**INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT**

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of December 31, 2019, the Bank's total capital has been calculated as TL 1,460,116 (December 31, 2018: TL 1,252,526) and the capital adequacy ratio is 63.32% (December 31, 2018: 190.69%). This ratio is well above the minimum ratio required by the legislation.

**Information on Equity Accounts:**

	Current period 31.12.2019	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2018	Amounts as per the regulation before 1/1/2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>	<b>1,436,830</b>	-	<b>1,244,682</b>	-
Paid-in capital to be entitled for compensation after all creditors	1,051,230	-	1,051,230	-
Share Premium	-	-	-	-
Reserves	200,820	-	86,086	-
Gains recognized in equity as per TAS	-	-	-	-
Profit	194,404	-	114,734	-
Current period profit	194,404	-	114,734	-
Prior period profit	-	-	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-	-	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,446,454</b>	-	<b>1,252,050</b>	-
<b>Deductions From Common Equity Tier I Capital</b>	-	-	-	-
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	19	-	4	-
Improvement costs for operating leasing(-)	1,730	-	1,998	-
Goodwill and other intangible assets and related deferred taxes (-)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,420	-	3,816	-
Excess amount arising from deferred tax assets from temporary differences	5,455	-	1,550	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-	-	-
Securitization gains	-	-	-	-
Unrealized gains and losses arising from the differences in the credit value of the Bank's liabilities at fair value.	-	-	-	-
Net amount of defined benefit plans	-	-	-	-
Direct and indirect investments of the Bank on its own Tier I Capital (-)	-	-	-	-
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Amount exceeding the 15% threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital not deducted from Tier I Capital (-)	-	-	-	-
Excess amount arising from mortgage servicing rights	-	-	-	-
Excess amount arising from deferred tax assets from temporary differences (-)	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-	-	-
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>9,624</b>	-	<b>7,368</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>1,436,830</b>	-	<b>1,244,682</b>	-

(\*) In this section, the accounts that are liable to the temporary articles of "Regulation on Equities of Banks" which will be considered at the end of the transition period are shown.

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*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*
**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY(continued)**

	Current period 31.12.2019	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2018	Amounts as per the regulation before 1/1/2014 (*)
<b>ADDITIONAL TIER I CAPITAL</b>				
Preferred stock not included in Tier I capital and the related share premiums	-	-	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-	-	-
Shares of third parties in Additional Tier 1 Capital	-	-	-	-
Shares of third parties in Additional Tier 1 Capital (Temporary Article 3)	-	-	-	-
<b>Additional Core Capital before Deductions</b>	-	-	-	-
<b>Deductions from Additional Core Capital</b>	-	-	-	-
Direct and indirect investments of the Bank on its own Additional Tier I Capital (-)	-	-	-	-
Investments in equity instruments issued by Banks or financial institutions invested in Bank's Additional Tier I Capital and having conditions stated in the Article 7 of the Regulation	-	-	-	-
The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-)	-	-	-	-
The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-)	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-	-	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I 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 not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-	-	-
<b>Total Additional Tier I Capital</b>	-	-	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1,436,830</b>	-	<b>1,244,682</b>	-
<b>TIER II CAPITAL</b>	-	-	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	23,286	-	7,844	-
<b>Tier II Capital before Deductions</b>	<b>23,286</b>	-	<b>7,844</b>	-
<b>Deductions from Tier II Capital</b>	-	-	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-	-	-
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Total of net long position of the direct or indirect investments in Additional Tier I Capital and Tier II Capital of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Net long-term position of investments in capital assets of banks and financial institutions that have 10% or more of their shareholding interests and have not been consolidated	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
<b>Total Deductions from Tier II Capital</b>	-	-	-	-
<b>Total Tier II Capital</b>	<b>23,286</b>	-	<b>7,844</b>	-
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>1,460,116</b>	-	<b>1,252,526</b>	-

**Notes to unconsolidated financial statements  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY(continued)**

	Current period 31.12.2019	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2018	Amounts as per the regulation before 1/1/2014 (*)
<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>	<b>1,460,116</b>	-	<b>1,252,526</b>	-
Loans granted against the Articles 50 and 51 of the Banking Law (-)	-	-	-	-
Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	<b>-</b>	-	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
<b>EQUITY</b>	<b>1,460,116</b>	-	<b>1,252,526</b>	-
Total Capital (Total of Tier I Capital and Tier II Capital)	1,460,116	-	1,252,526	-
Total Risk Weighted Assets	2,305,921	-	656,833	-
<b>CAPITAL ADEQUACY RATIOS</b>				
Core Capital Adequacy Ratio (%)	62.31	-	189.50	-
Tier I Capital Adequacy Ratio (%)	62.31	-	189.50	-
Capital Adequacy Ratio (%)	63.32	-	190.69	-
<b>BUFFERS</b>				
Bank-specific total Core Capital Ratio	0.24	-	0.04	-
Capital Conservation Buffer Ratio (%)	2.50	-	1.88	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%) (*)	-	-	-	-
The ratio of Additional Common Equity Tier I 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	58.61	-	185	-
<b>Amounts lower than Excesses as per Deduction Rules</b>	<b>-</b>	-	-	-
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital	-	-	-	-
Remaining total of net long positions of the investments in Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% or less of the Tier I Capital	-	-	-	-
Remaining mortgage servicing rights	-	-	-	-
Net deferred tax assets arising from temporary differences	-	-	-	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	<b>-</b>	-	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	35,589	-	20,347	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	23,286	-	7,843	-
Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-	-	-
Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, limited by 0.6% risk weighted assets	-	-	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-	-	-	-
Upper limit for Additional Tier I Capital items subject to Temporary Article 4	-	-	-	-
Amount of Additional Tier I Capital items subject to Temporary Article 4 that exceeds upper limit	-	-	-	-
Upper limit for Additional Tier II Capital items subject to Temporary Article 4	-	-	-	-
Amount of Additional Tier II Capital items subject to Temporary Article 4 that exceeds upper limit	-	-	-	-

(\*)To be filled by systemically important banks which are not obliged to prepare consolidated financial statements under Paragraph 4 of Article 4 of the Regulation on Systemic Banks, will be reported as zero by other banks.



**Notes to unconsolidated financial statements  
as at 31 December 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY(continued)****Explanations on reconciliation of shareholder's equity items to balance sheet:**

The difference between "Equity" in equity table and "Shareholder's Equity" in the unconsolidated balance sheet mainly arises from the subordinated loan, bonds, general provisions and TFRS 9 transition effect. In the calculation of Total Capital, general provision up to 1.25% of credit risk is taken into consideration as Tier II Capital.

On the other hand, in the calculation of the "Equity", improvement costs for operating leases followed under tangible assets in the balance sheet, and related deferred tax liabilities, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

	<b>Current period 31.12.2019</b>	<b>Prior Period 31.12.2018</b>
<b>Paid in Capital</b>	<b>1.051.230</b>	<b>1.051.230</b>
Capital Reserves	200.820	86.086
Profit	194.404	114.734
<b>Total Equity before Deductions</b>	<b>1.446.454</b>	<b>1.252.050</b>
Deduction made within the scope of the Regulation	9.624	7.368
Common Equity Tier 1 Capital	1.436.830	1.244.682
Tier 1 Capital	1.436.830	1.244.682
General Provisions (Up to 1.25%)	23.286	7.844
<b>Total Equity</b>	<b>1.460.116</b>	<b>1.252.526</b>

**Explanations on IFRS 9 Transition Process**

The Bank has not yet started to reserve provision in accordance with IFRS 9. For this reason, the transition process stated Temporary Article 5 of the Regulation on Equities of Banks published in the Official Gazette dated December 5, 2013 and numbered 28756 are not yet applicable for the Bank and currently not affect the capital adequacy ratios.

**II. EXPLANATIONS ON CREDIT RISK**

Credit risk refers to the risks and losses that may arise from the failure of the counterparty to fulfill its obligations partially or completely in a timely manner by not complying with the Bank's contractual requirements.

The credit allocation is made within the limits set for each debtor and the group of debtors and is updated periodically according to the market conditions. During the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating process of the Bank. To establish a credit risk management framework to manage credit risks; to help maintain a high level of credit portfolio quality; Bank's Credit Policy has been established and approved by the Board of Directors in order to ensure early identification and realization of real and potential credit issues in order to minimize financial losses and to ensure compliance with local legislation and general partnership regulations on general and special loan provisions. Follow-up Procedure; Credit Allocation Procedure and Collateral Procedure The Bank's credit risk management framework is formed.

The main principle of the credit risk policy is the risk return structure arising from the credit risk of the bank; the policies set out to monitor, control and, if necessary, correct the nature and level of activities; to identify, measure, report, monitor and control the risks to which the Bank is exposed while determining the procedure and limit and the risks arising from the transactions with the risk group of the Bank is included. Loans marketing, approval, disbursement and monitoring duties; in order to reduce all risks related to errors, deficiencies, irregularities and abuses, and to prevent conflicts of interest, it is ensured that they are carried out by the authorities from different units. The Bank has a robust credit approval procedure that shares the credit functions of the Bank between the front office and the mid-office functions in order to prevent possible conflicts of interest and to obtain a fair and objective view of the risks faced by new loan disbursements. The Bank's Credit and Risk analysis function is separated from the Corporate Banking Department in order to perform it independently.

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

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Credit limits are determined in line with the risk appetite of the Bank by taking into consideration the activity area of the companies, sector seasonality, risk profile, loss history, collateral structure and maturity of the loan. Credit limits are checked at both the individual debtor level and the total debt group level.

Evaluation and examination of credits in the Bank; discovery of early warning signals of deteriorated risks to allow for special monitoring of loans; A system of ratings is used to effectively manage problematic loans and to produce on-site and effective risk-based pricing mechanisms.

In the management of credit risk, the risk and control structure is based on the triple line of defense model. The lines of activity are defined as first stage, independent risk management, legal compliance and internal control activities, second stage and independent internal audit activity are defined as third stage responsibility. Top Management, Risk Committee and Board of Directors, developments in credit portfolio quality, stress test and scenario analysis. It is regularly informed about the limits and risk appetite.

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

	Current Period		Prior period	
	Current Period Risk Amount (*)	Average Risk Amount (**)	Current Period Risk Amount (*)	Average Risk Amount (**)
<b>Risk Types</b>				
Contingent and Non-Contingent Receivables from central governments or central banks	372,281	157,230	16,421	13,137
Contingent and Non-Contingent Receivables from regional or local governments	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-
Contingent and Non-Contingent Receivables from banks and brokerage houses	1,382,278	1,309,950	972,236	1,034,114
Contingent and Non-Contingent Corporates	1,010,465	696,701	388,517	268,082
Contingent and Non-Contingent Retail Receivables	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	-	-	-	-
Past Due Receivables	-	-	-	-
Receivables defined in high risk category by Regulator	-	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other Receivables	25,298	25,210	4,448	4,097
<b>Total</b>	<b>2,790,322</b>	<b>2,189,091</b>	<b>1,381,622</b>	<b>1,319,430</b>

(\*) It refers to the total risk amount after credit risk mitigation and credit conversion.

(\*\*) The average risk amount is determined by taking the arithmetic average of the values in the report prepared at the end of the month.

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as at 31 December 2019**

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

**II. EXPLANATIONS ON CREDIT RISK (continued)**

**Profile of significant exposures in major regions:**

Current period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	372,281	-	-	-	-	1,101,628	1,010,465	-	-	-	-	-	-	-	-	25,298	2,509,672
European Union Countries	-	-	-	-	-	2,180	-	-	-	-	-	-	-	-	-	-	2,180
OECD Countries**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	278,468
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>372,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,382,278</b>	<b>1,010,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,298</b>	<b>2,790,322</b>

Prior period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	16,421	-	-	-	-	948,849	388,517	-	-	-	-	-	-	-	-	4,448	1,358,235
European Union Countries	-	-	-	-	-	7,287	-	-	-	-	-	-	-	-	-	-	7,287
OECD Countries**	-	-	-	-	-	16,100	-	-	-	-	-	-	-	-	-	-	16,100
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>972,236</b>	<b>388,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,448</b>	<b>1,381,622</b>

(\*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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

(\*\*\*) Assets and liabilities that are not distributed according to a consistent principle.

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**II. EXPLANATIONS ON CREDIT RISK (continued)**

**Risk profile by sectors or counterparties:**

Current period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	TL	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fores TL, Wood and Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	208,137	-	-	-	-	-	-	-	-	-	208,137	-	208,137
Mining and Quarry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	208,137	-	-	-	-	-	-	-	-	208,137	-	208,137
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	-	-	-	-	443,978	-	-	-	-	-	-	-	-	-	443,978	-	443,978
<b>Services</b>	372,281	-	-	-	-	1,382,278	358,350	-	-	-	-	-	-	-	-	-	1,754,559	358,350	2,112,909
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	358,350	-	-	-	-	-	-	-	-	-	-	358,350	358,350
Financial Institutions	372,281	-	-	-	-	1,382,278	-	-	-	-	-	-	-	-	-	-	1,754,559	-	1,754,559
Real Estate and Renting Services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,298	25,298	-	25,298
<b>Total</b>	<b>372,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,382,278</b>	<b>1,010,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,298</b>	<b>2,431,972</b>	<b>358,350</b>	<b>2,790,322</b>

Prior period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	TL	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fores TL, Wood and Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	-	-	-	-	388,517	-	-	-	-	-	-	-	-	-	-	-	-
<b>Services</b>	16,421	-	-	-	-	972,236	-	-	-	-	-	-	-	-	-	-	954,617	388,517	988,657
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	16,421	-	-	-	-	972,236	-	-	-	-	-	-	-	-	-	-	954,617	34,040	988,657
Real Estate and Renting Services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,448	4,239	209	4,448
<b>Total</b>	<b>16,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>972,236</b>	<b>388,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,448</b>	<b>958,856</b>	<b>422,766</b>	<b>1,381,622</b>

(\*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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**II. EXPLANATIONS ON CREDIT RISK (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

Risk Types, Current period	Time to Maturity					Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Due from central governments or central banks	51,129	5,103	69,919	203,270	-	329,421
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	668,667	-	-	-	-	668,667
Receivables on Banks and Brokerage Houses	41,354	40	-	37,012	510,050	588,456
Receivables from Corporates	-	-	-	-	-	-
Retail Receivables	-	-	-	-	-	-
Receivables Secured by Mortgages	-	-	-	-	-	-
Past Due Receivables	-	-	-	-	-	-
Receivables defined in high risk category by Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-
Other Receivables	38,533	-	-	-	-	38,533
<b>Total</b>	<b>799,683</b>	<b>5,143</b>	<b>69,919</b>	<b>240,282</b>	<b>510,050</b>	<b>1,625,077</b>

Risk Types, Prior period	Time to Maturity					Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Due from central governments or central banks	-	-	-	-	-	-
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	928,978	-	-	-	1,289	930,267
Receivables on Banks and Brokerage Houses	4,480	-	-	33,568	350,469	388,517
Receivables from Corporates	-	-	-	-	-	-
Retail Receivables	-	-	-	-	-	-
Receivables Secured by Mortgages	-	-	-	-	-	-
Past Due Receivables	-	-	-	-	-	-
Receivables defined in high risk category by Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Total</b>	<b>933,458</b>	<b>-</b>	<b>-</b>	<b>33,568</b>	<b>351,758</b>	<b>1,318,784</b>

**Exposures by risk weights:**

Risk Types, Current period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Deductions
											from the shareholders' equity
Amount before the credit risk mitigation	332,227	-	677,628	-	169,808	-	1,610,659	-	-	-	9,605
Amount after the credit risk mitigation	332,227	-	677,628	-	169,808	-	1,610,659	-	-	-	9,605

Risk Types, Prior period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Deductions
											from the shareholders' equity
Amount before the credit risk mitigation	5,859	-	951,238	-	20,907	-	403,618	-	-	-	7,366
Amount after the credit risk mitigation	5,859	-	951,238	-	20,907	-	403,618	-	-	-	7,366

**Movements in value adjustments and provisions:**

	Opening Balance	The amount of provision in the period	Reversal of Provision(*)	Other Provisions(**)	Closing Balance
Specific Provisions	-	-	-	-	-
General Provisions	20,347	15,242	-	-	35,589

	Opening Balance	The amount of provision in the period	Reversal of Provision(*)	Other Provisions(**)	Closing Balance
Specific Provisions	-	-	-	-	-
General Provisions	-	20,347	-	-	20,347

**Notes to unconsolidated financial statements  
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The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the bank specific circular capital buffer within the scope of the "Regulation on Capital Protection and Cyclic Capital Buffers" and its sub-regulations published in the Official Gazette dated 5 November 2013 and numbered 28812, is explained in the table below:

Since January 1, 2016 as per BRSA decision dated December 24, 2015 cyclical capital buffers for banks, including the current positions of Turkey is considered as 0%.

<b>Current Period</b>			
<b>Country of ultimate risk</b>	<b>Private sector credit exposures in banking book</b>	<b>Risk Weighted Equivalent trading book</b>	<b>Total</b>
Turkey	2,561,609	-	2,561,609
China	278,469	-	278,469
Germany	2,180	-	2,180

<b>Prior Period</b>			
<b>Country of ultimate risk</b>	<b>Private sector credit exposures in banking book</b>	<b>Risk Weighted Equivalent trading book</b>	<b>Total</b>
Turkey	1,360,715	-	1,360,715
China	20,906	-	20,906

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**III. EXPLANATIONS ON CURRENCY RISK**

The difference between the Bank's foreign currency denominated on-balance sheet and off-balance sheet assets and the foreign currency denominated on-balance sheet and off-balance sheet liabilities are defined as "FC Net General Position" and form the basis for exchange rate risk. An important dimension of the exchange rate risk is the risk (cross-currency risk) caused by the exchange of values of the foreign currencies against each other in the FX net general position.

Measurable and manageable risks are taken within legal limits. The Bank applies stress tests against the fluctuations in foreign currency within the year.

The Bank uses the "standard method" which is also used in legal reporting to measure the foreign exchange risk.

There is no significant foreign currency position in relation to the balance sheet size of the Bank and if any exchange rate risk occurs, it is taken counter position and exchange risk is not transferred.

The Bank's current foreign exchange buying rates announced on December 31, 2019 and December 31, 2018 as well as the last five day financial statement valuation rates are as follows:

(All rates presented as full TL).

<b>31.12.2019</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CNY</b>
<b>Rates :</b>	5.9402	6.6621	7.8013	0.8483
<b>1. Day Foreign Exchange Buying Rate</b>	5.9302	6.5759	7.6854	0.8424
<b>2. Day Foreign Exchange Buying Rate</b>	5.9370	6.6117	7.7375	0.8437
<b>3. Day Foreign Exchange Buying Rate</b>	5.9370	6.6117	7.7375	0.8437
<b>4. Day Foreign Exchange Buying Rate</b>	5.9370	6.6117	7.7375	0.8437
<b>5. Day Foreign Exchange Buying Rate</b>	5.9402	6.6506	7.7765	0.8455
<b>Arithmetic mean of last 30 days</b>	5.8357	6.4814	7.6341	0.8273
<b>31.12.2018</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CNY</b>
<b>Rates :</b>	5.2810	6.0422	6.7135	0.7635
<b>1. Day Foreign Exchange Buying Rate</b>	5.2889	6.0245	6.6761	0.7651
<b>a2. Day Foreign Exchange Buying Rate</b>	5.2832	6.0185	6.6954	0.7631
<b>3. Day Foreign Exchange Buying Rate</b>	5.3034	6.0419	6.7245	0.7661
<b>4. Day Foreign Exchange Buying Rate</b>	5.2746	6.0291	6.6877	0.7629
<b>5. Day Foreign Exchange Buying Rate</b>	5.2746	6.0342	6.6718	0.7599
<b>Arithmetic mean of last 30 days</b>	5.2970	6.0280	6.6528	0.7642

**Sensitivity analysis on currency risk:**

If the foreign currency position of USD and EUR carried by the Bank as of December 31, 2019 is 10% (December 31,2018:10%) increase / decrease of TL against foreign currencies and all other variables are constant, the changes that will be caused in the net profit of the Bank, regardless of the tax effect of the foreign currency risk that the Bank will be exposed to, are stated below:

<b>Current period 31.12.2019</b>	<b>Change in Foreign Currency</b>	<b>Impact on Profit / Loss (*)</b>	<b>Impact on Equity</b>
EUR	10% Increase	2,172	2,172
	10% Decrease	(2,172)	(2,172)
USD	10% Increase	1,146	1,146
	10% Decrease	(1,146)	(1,146)
<b>Prior Period 31.12.2018</b>	<b>Change in foreign currency</b>	<b>Impact on Profit / Loss (*)</b>	<b>Impact on Equity</b>
EUR	10% Increase	1,323	1,323
	10% Decrease	(1,323)	(1,323)
USD	10% Increase	1,620	1,620
	10% Decrease	(1,620)	(1,620)

(\*) Pre-tax figures.



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**III. EXPLANATIONS ON CURRENCY RISK(continued)**
**Explanations on currency risk: Foreign Currency**

	EUR	USD	Other FC	Total
<b>Current Period 31.12.2019</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the CBRT	13,324	26,730	-	<b>40,054</b>
Due From Banks	2,180	6,661	-	<b>8,841</b>
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	-	-	-
Loans and Receivables	300,435	59,440	-	<b>359,875</b>
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Derivative Financial Assets Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1,998	1,919	-	<b>3,917</b>
<b>Total Assets</b>	<b>317,937</b>	<b>94,750</b>	-	<b>412,687</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	8	-	<b>8</b>
Money Market Borrowings	-	-	-	-
Funds Provided from Other Financial Institutions	-	59,423	-	<b>59,423</b>
Securities Issued	-	-	-	-
Sundry Creditors	-	-	-	-
Derivative Fin. Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	127	23,864	-	<b>23,991</b>
<b>Total Liabilities</b>	<b>127</b>	<b>83,295</b>	-	<b>83,422</b>
<b>Net Balance Sheet Position</b>	<b>317,810</b>	<b>11,455</b>	-	<b>329,265</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	(296,093)	-	-	<b>(296,093)</b>
Financial Derivative Liabilities	(296,093)	-	-	<b>(296,093)</b>
Non-Cash Loans (*)	700,856	299,027	-	<b>999,883</b>
<b>Prior Period 31.12.2018</b>				
Total Assets	315,336	24,315	-	<b>339,651</b>
Total Liabilities	3	8,116	-	<b>8,119</b>
Net Balance Sheet Position	315,333	16,199	-	<b>331,532</b>
Net Off-Balance Sheet Position	(302,110)	-	-	<b>(302,110)</b>
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	(302,110)	-	-	<b>(302,110)</b>
Non-Cash Loans (*)	81,827	2,577	-	<b>84,404</b>

(\*)There is no effect on the net balance sheet position.

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**III. EXPLANATIONS ON INTEREST RATE RISK**

Sensitivity analysis of the Bank's interest rate sensitive assets and liabilities and interest rate fluctuations are analyzed. The impact of interest rate volatility to the Bank will be analyzed by presenting the results to the Risk Committee and senior management regularly, sensitivity and scenario analysis in the coming periods. In this analysis, it is planned to calculate possible losses in fair value changes on interest rate sensitive products by interest rate shocks.

In the calculation of the Bank's exposure to interest rate risk, standard method is used.

**Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)**

Current period 31.12.2019	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
<b>Assets</b>							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,025	-	-	-	-	37,834	42,859
Banks	668,667	-	-	-	-	9,034	677,701
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	41,394	8,177	37,012	481,429	-	-	568,012
Financial Assets Measured at Amortized Cost	51,129	5,103	273,189	-	-	-	329,421
Other Assets	-	-	-	-	-	58,977	58,977
<b>Total Assets</b>	<b>766,215</b>	<b>13,280</b>	<b>310,201</b>	<b>481,429</b>	<b>-</b>	<b>105,845</b>	<b>1,676,970</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	65,620	-	-	-	-	10,065	75,685
Interbank Money Market Received	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	-	23	59,400	-	-	59,423
Other Liabilities (*)	-	-	-	-	-	1,541,862	1,541,862
<b>Total Liabilities</b>	<b>65,620</b>	<b>-</b>	<b>23</b>	<b>59,400</b>	<b>-</b>	<b>1,551,927</b>	<b>1,676,970</b>
Balance sheet long position	649,427	60,637	313,973	422,069	-	-	1,446,106
Balance sheet short position	-	-	-	-	-	(1,446,082)	(1,446,106)
Off-Balance sheet long position	-	33,557	33,557	201,339	-	-	268,453
Off-Balance sheet short position	-	(37,012)	(37,012)	(222,069)	-	-	(296,093)
<b>Total Position</b>	<b>649,427</b>	<b>9,785</b>	<b>306,723</b>	<b>401,339</b>	<b>-</b>	<b>(1,446,082)</b>	<b>(27,640)</b>

(\*) Including 1,460,116 TL shareholders' equity.

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**IV. EXPLANATIONS ON INTEREST RATE RISK(continued)**

Prior Period 31.12.2018	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
<b>Assets</b>							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	16,421	<b>16,421</b>
Banks	928,979	-	-	-	-	20,990	<b>949,969</b>
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	4,516	-	-	<b>4,516</b>
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	306,590	-	-	-	-	-	<b>306,590</b>
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	14,305	<b>14,305</b>
<b>Total Assets</b>	<b>1,235,569</b>	-	-	<b>4,516</b>	-	<b>51,716</b>	<b>1,291,801</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	4	<b>4</b>
Interbank Money Market Received	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	-	-	-	-	-	-
Other Liabilities (*)	-	-	-	-	-	1,291,797	<b>1,291,797</b>
<b>Total Liabilities</b>	-	-	-	-	-	<b>1,291,801</b>	<b>1,291,801</b>
Balance sheet long position	1,235,569	-	-	4,516	-	-	<b>1,240,085</b>
Balance sheet short position	-	-	-	-	-	(1,240,085)	<b>(1,240,085)</b>
Off-Balance sheet long position	-	-	33,557	268,453	-	-	<b>302,010</b>
Off-Balance sheet short position	-	-	(33,568)	(268,542)	-	-	<b>(302,110)</b>
<b>Total Position</b>	<b>1,235,569</b>	-	<b>(11)</b>	<b>4,427</b>	-	<b>(1,240,085)</b>	<b>(100)</b>

(\*) Including TL 1,252,046 shareholders' equity.

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**IV. EXPLANATIONS ON INTEREST RATE RISK(continued)**

**Average interest rates applied to financial instruments**

<b>Current period 31.12.2019</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.99	-	11.36
Banks and Receivables from Other Financial Institutions	0.10	-	-	21.25
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	3.00	4.86	-	15.37
Financial Assets Measured at Amortized	-	-	-	16.75
<b>Liabilities</b>				
Bank Deposits	-	-	-	19.10
Other Deposits	0.10	-	-	21.08
Interbank Money Market Received	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	2.88	-	-

<b>Prior Period 31.12.2018</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	-
Banks and Receivables from Other Financial Institutions	-	1.69	-	15.35
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	3.00	-	-	-
Financial Assets Measured at Amortized	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	1.50	-	11.50
Interbank Money Market Received	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	-	-	-

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**IV. EXPLANATIONS ON INTEREST RATE RISK(continued)**

**Nature of interest rate risk resulted from banking book**

Interest rate risk arising from all interest-sensitive and off-balance sheet items is calculated. Interest rate risk arising from banking accounts is calculated monthly and reported to the BRSA.

In accordance with the regulation on measuring and evaluating the interest rate risk arising from banking accounts using the standard shock method, the economic value differences arising from fluctuations in interest rates are specified in the table below.

Current period		Applicable Shock (+ / -) base point)	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
Unit of Currency				
TL		500	(34.937)	(0.0239)
		(400)	31.282	0.0214
EURO		200	10.940	0.00749
		(200)	-	-
USD		200	-	-
		(200)	-	-
<b>Total (For Positive Shock)</b>			(23.997)	(0.0164)
<b>Total (For Negative Shock)</b>			31.282	0.0214

Prior Period		Applicable Shock (+ / -) base point)	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
Unit of Currency				
TL		500	(25,898)	(0,0207)
		(400)	27.364	0,0218
EURO		200	(3.716)	(0,003)
		(200)	-	-
USD		200	14.177	0,0113
		(200)	(15.421)	(0,0123)
<b>Total (For Positive Shock)</b>			(15.437)	(0,0123)
<b>Total (For Negative Shock)</b>			11.944	0,0095

**V. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES**

**1. Balance sheet values, fair value and market value comparison of equity investments**

None (December 31, 2018: None).

**2. Information on realized gains or losses on revaluation surplus, unrealized gains or losses and their included amounts in Tier 1 and 2 capital**

None (December 31, 2018: None).

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

The main objective of the liquidity management of the Bank is to keep the liquidity risk in the bank's payment obligations uninterruptedly and also without risking the brand name or value during crisis periods. The Bank is obliged to comply with the internally determined liquidity limitations and is obliged to comply first with the minimum liquidity limitations determined by the legal legislation. According to the bank's policy, the liquidity limits should never exceed.

The Bank determines the liquidity risk appetite and strategy written under the Liquidity Risk Policy. In this context, the Bank controls maturity mismatch between assets and liabilities to be protected from liquidity risk and maintains liquid values in order to ensure the liquidity needs that can arise as a result of market fluctuations.

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

<b>Current period 31.12.2019</b>								
<b>Assets</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	37,834	5,025	-	-	-	-	-	<b>42,859</b>
Banks	9,033	668,668	-	-	-	-	-	<b>677,701</b>
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	41,355	8,177	37,012	464,498	16,971	-	<b>568,013</b>
Financial Assets Measured at Amortized Cost	-	51,129	5,103	273,189	-	-	-	<b>329,421</b>
Other Assets (*)	-	-	-	26,279	-	32,512	185	<b>58,976</b>
<b>Total assets</b>	<b>46,867</b>	<b>766,177</b>	<b>13,280</b>	<b>336,480</b>	<b>464,498</b>	<b>49,483</b>	<b>185</b>	<b>1,676,970</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	10,065	65,620	-	-	-	-	-	<b>75,685</b>
Funds Borrowed from Other Financial Institutions	-	-	-	23	42,429	16,971	-	<b>59,423</b>
Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities (**)	-	1,746	465	2,155	12,935	6,857	1,517,704	<b>1,541,862</b>
<b>Total Liabilities</b>	<b>10,065</b>	<b>67,366</b>	<b>465</b>	<b>2,178</b>	<b>55,364</b>	<b>23,828</b>	<b>1,517,704</b>	<b>1,676,970</b>
<b>Net Liquidity Gap</b>	<b>36,802</b>	<b>698,811</b>	<b>12,815</b>	<b>334,302</b>	<b>417,620</b>	<b>17,169</b>	<b>(1,517,519)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(3,455)</b>	<b>-</b>	<b>(3,455)</b>	<b>(20,730)</b>	<b>-</b>	<b>-</b>	<b>(27,640)</b>
Financial Derivative Assets	-	33,557	-	33,557	201,339	-	-	<b>268,453</b>
Financial Derivative Liabilities	-	37,012	-	37,012	222,069	-	-	<b>296,093</b>
<b>Non-Cash Loans</b>	<b>16,322</b>	<b>-</b>	<b>535</b>	<b>535,867</b>	<b>252,128</b>	<b>440,625</b>	<b>-</b>	<b>1,245,477</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets and prepaid expenses are included in this column.

(\*\*) Shareholders' equity, provisions and unallocated part of sundry creditors are classified in other liabilities in unallocated column.

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO(continued)**

Prior Period 31.12.2018								
Assets	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated	Total
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	16,421	-	-	-	-	-	-	16,421
Banks	20,990	928,979	-	-	-	-	-	949,969
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	4,516	-	-	4,516
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Financial Assets Measured at Amortized Cost	-	4,480	-	33,568	268,542	-	-	306,590
Other Assets (*)	-	-	-	-	-	-	14,305	14,305
<b>Total assets</b>	<b>37,411</b>	<b>933,459</b>	<b>-</b>	<b>33,568</b>	<b>273,058</b>	<b>-</b>	<b>14,305</b>	<b>1,291,801</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	4	-	-	-	-	-	-	4
Funds Borrowed from Other Financial Institutions	-	-	-	-	-	-	-	-
Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities (**)	-	3,151	185	6,572	-	-	1,281,889	1,291,797
<b>Total Liabilities</b>	<b>4</b>	<b>3,151</b>	<b>185</b>	<b>6,572</b>	<b>-</b>	<b>-</b>	<b>1,281,889</b>	<b>1,291,801</b>
<b>Net Liquidity Gap</b>	<b>37,407</b>	<b>930,308</b>	<b>(185)</b>	<b>26,996</b>	<b>273,058</b>	<b>-</b>	<b>(1,267,584)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>(100)</b>
Financial Derivative Assets	-	-	-	33,557	268,453	-	-	302,010
Financial Derivative Liabilities	-	-	-	33,568	268,542	-	-	302,110
<b>Non-Cash Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,577</b>	<b>81,827</b>	<b>-</b>	<b>84,404</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets and prepaid expenses are included in this column.

(\*\*) Shareholders' equity, provisions and unallocated part of sundry creditors are classified in other liabilities in unallocated column.

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO(continued)**
**Liquidity coverage ratio:**

The liquidity coverage ratio is calculated by dividing the high quality liquid assets to the Bank's net cash outflows in the 30 day period. Important balance sheet items that determine the ratio; required reserves held by the CBRT, corporate deposits and receivables from banks. These items have higher impact on the liquidity coverage ratio than the other items due to high share of liquid assets and net cash outflows, higher rate of consideration and variability.

Current period 31.12.2019		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
High-Quality Liquid Assets		TL+FC	FC	TL+FC	FC
1	Total high-quality liquid assets (HQLA)			323,726	41,235
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	153,859	7,978	62,506	3,327
6	Operational deposits	-	-	-	-
7	Non-operational deposits	152,255	7,753	60,902	3,101
8	Unsecured funding	1,604	226	1,604	226
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>			<b>62,506</b>	<b>3,327</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	778,083	15,792	778,083	15,792
19	Other cash inflows	15,280	70	15,280	70
<b>20</b>	<b>Total Cash Inflows</b>	<b>793,363</b>	<b>15,862</b>	<b>793,363</b>	<b>15,862</b>
				Values applied upper limit	
21	Total HQLA			323,726	41,235
22	Total Net Cash Outflows			18,478	2,556
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>1,833</b>	<b>19,430</b>

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



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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO(continued)**
**Liquidity coverage ratio:**

Prior Period 31.12.2018		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
High-Quality Liquid Assets		TL+FC	FC	TL+FC	FC
1	Total high-quality liquid assets (HQLA)			15.081	10.907
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	14,298	8.990	8.902	3.626
6	Operational deposits	-	-	-	-
7	Non-operational deposits	8,993	8.940	3.597	3.576
8	Unsecured funding	5,305	50	5.305	50
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	<b>Total Cash Outflows</b>			<b>8.902</b>	<b>3.626</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	956,528	22,538	956,528	22,538
19	Other cash inflows	-	-	-	-
20	<b>Total Cash Inflows</b>	<b>956,528</b>	<b>22,538</b>	<b>956,528</b>	<b>22,538</b>
Values applied upper limit					
21	Total HQLA			15,081	10,907
22	Total Net Cash Outflows			3,791	1,648
23	<b>Liquidity Coverage Ratio (%)</b>			<b>7,351</b>	<b>2,440,162</b>

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

The liquidity coverage ratios are calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948 effective from December 31, 2015. As of December 31, 2019 liquidity ratio is required to be at least 80% (December 31,2018: 70%) for foreign currency assets/liabilities and 100% (December 31,2018: 90%) for total assets/liabilities. The table below shows the lowest, highest and average Liquidity Coverage Ratio calculated weekly in the last 3 months:

<b>Current period 31.12.2019</b>						
	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>	
<b>TL+FC</b>	2,688	1 November 2019	1,382	4 October 2019	1,833	
<b>FC</b>	70,702	1 November 2019	422	13 December 2019	19,430	
<b>Prior Period 31.12.2018</b>						
	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>	
<b>TL+FC</b>	17,283	28 December 2018	275	02 November 2018	7,351	
<b>FC</b>	4,805,771	12 October 2018	34,647	26 December 2018	2,440,162	

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**VII. EXPLANATIONS ON LEVERAGE RATIO**

The leverage ratio calculated by the Bank in accordance with the “Regulation on Measurement and Evaluation of Leverage Level of Banks” is 49.19% (31 December 2018: 82.41%). This rate is above the minimum rate, and the regulation stipulated the minimum leverage rate as 3%.

The table of leverage ratio calculated in accordance with the Regulation on Assessment and Calculation of Banks’ Leverage ratio published in the Official Gazette numbered 28812 and dated 5/11/2013 shown below.

	Current period 31.12.2019 (*)	Prior Period 31.12.2018 (*)
1 Balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	1,699,746	1,288,589
2 (Assets deducted in determining Tier 1 capital)	(6,277)	(9,101)
3 Total balance sheet risks (sum of lines 1 and 2)	1,693,469	1,279,488
<b>Derivative financial instruments and credit derivatives</b>		
4 Replacement cost associated with all derivative financial instruments and credit derivatives	-	8,804
5 Potential credit risk associated with all derivative financial instruments and credit derivatives	42,896	-
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	42,896	8,804
<b>Securities or commodity financing transactions (SCFT)</b>		
7 Risks from SCFT assets (except for on-balance sheet)	-	-
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	-	-
<b>Off-balance sheet transactions</b>		
10 Gross notional amounts of off-balance sheet transactions	1,172,070	114,132
11 (Adjustments for conversion to credit equivalent amounts)	-	-
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	1,172,070	114,132
<b>Capital and total risks</b>		
13 Tier 1 capital	1,429,777	1,230,387
14 Total risks (sum of lines 3, 6, 9 and 12)	2,908,435	1,402,424
15 <b>Leverage ratio</b>	<b>49.19</b>	<b>82.41</b>

(\*) Represents three-month weighted average amounts.

**VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables which are to be prepared according to Internal rating-based (IRB) approach have not been presented.

**1. Explanations on Risk Management and Risk Weighted Assets**

**1.1. Bank’s Risk Management Approach**

Risk management covers the measurement and monitoring of risks, the control and reporting of risks within certain limits. These activities are carried out directly by the Risk Management Director under the Internal Systems. The Risk Management Director is independent from the executive units and fulfills its responsibilities to the Board of Directors through the Audit Committee and the Risk Committee.

Policies and procedures related to each of the quantifiable risks such as General Risk Policy and Credit Risk, Market Risk, Liquidity Risk, Operational Risk have been formed and identified for approval and measurement and control of the risks that the Bank may be exposed to due to its activities and approved by the Board of Directors.

Credit and operational risk constitute the main risk factors in terms of the types of risks the Bank is exposed to.

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

For these risks, written limits, early warning thresholds and risk appetite indicators were determined by the General Risk Limit Policy and approved by the Board of Directors.

The Internal Capital Adequacy Assessment Procedure for the determination of the internal capital requirements and the adequacy of the Bank was approved by the Board of Directors.

Risk appetite and limits are reviewed regularly by the Internal Systems Officer, Risk Management Director, Risk Committee and the Bank's top management in a manner not to exceed the legal limits stated in the legislation and if deemed necessary, re-determined with the approval of the Board of Directors.

Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress tests and scenario analyzes are conducted and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

The risk reports prepared for the purpose of assessing the risks of the Bank are regularly shared with the Board of Directors and senior management. Within the scope of the reports; information on compliance with the limits and risk appetite indicators defined on the basis of each type of risk, results related to capital adequacy and results of stress tests.

**1.2. Overview of Risk Weighted Amounts**

		Risk Weighted Amounts		Minimum Capital Liability	
		Current period 31.12.2019	Prior Period 31.12.2018	Current period 31.12.2019	Prior Period 31.12.2018
1	Credit risk (excluding counterparty credit risk) (CCR)	1,831,089	604,319	146,487	48,346
2	Standardized approach (SA)	1,831,089	604,319	146,487	48,346
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	31,795	23,091	2,544	1,847
5	Standardized approach for counterparty credit risk (SACCR)	31,795	23,091	2,544	1,847
6	Internal Model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies –look– through approach	-	-	-	-
9	Investments made in collective investment companies –mandate-based approach	-	-	-	-
10	Investments made in collective investment companies –%1250 weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-	-
16	Market risk	33,172	-	2,654	-
17	Standardized approach (SA)	33,172	-	2,654	-
18	Internal model approaches (IMM)	-	-	-	-
19	Operational risk	409,866	-	32,789	-
20	Basic indicator approach	409,866	-	32,789	-
21	Standard approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor Adjustments	-	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>2,305,922</b>	<b>627,410</b>	<b>184,474</b>	<b>50,193</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**2. Linkages between financial statements and risk amounts**

**2.1.Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation**

Current period 31.12.2019	Valued amount according to TAS within legal consolidation	Carrying values of items in accordance with TAS			Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk	
<b>Assets</b>					
Cash and balances with the Central Bank	42,859	42,859	-	-	-
Trading Financial Assets	-	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	20,444	-	20,444	-	-
Banks	677,701	677,701	-	-	-
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale (net)	-	-	-	-	-
Loans and Receivables	568,012	568,012	-	-	-
Factoring Receivables	-	-	-	-	-
Held-to-maturity investments (net)	329,421	329,421	-	-	-
Investment in Associates (net)	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-
Property And Equipment (net)	24,746	23,016	-	-	1,730
Intangible Assets (net)	2,648	-	-	-	2,648
Investment Property (net)	-	-	-	-	-
Tax Asset	5,228	-	-	-	5,228
Assets Held For Resale And Related To Discontinued Operations (net)	-	-	-	-	-
Other Assets	5,911	5,911	-	-	-
<b>Total assets</b>	<b>1,676,970</b>	<b>1,646,920</b>	<b>20,444</b>	<b>-</b>	<b>9,606</b>
<b>Liabilities</b>					
Deposits	75,685	-	-	-	-
Derivative Financial Liabilities Held Trading	-	-	-	-	-
Funds Borrowed	59,423	-	-	-	-
Money Markets	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-
Other Liabilities	12,905	-	-	-	-
Factoring Payables	-	-	-	-	-
Lease Payables	22,412	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-
Provisions	40,626	-	-	-	-
Tax Liability	19,484	-	-	-	-
Liabilities For Property And EquipmentHeld For Sale And Related To Discontinued Operations (net)	-	-	-	-	-
Subordinated Loans	-	-	-	-	-
Shareholder's Equity	1,446,435	-	-	-	-
<b>Total liabilities</b>	<b>1,676,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**2.1.Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation (continued)**

Prior Period 31.12.2018	Valued amount according to TAS within legal consolidation	Carrying values of items in accordance with TAS			
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances with the Central Bank	16,421	16,421	-	-	-
Trading Financial Assets	-	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	4,516	-	4,516	-	-
Banks	949,969	949,969	-	-	-
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale (net)	-	-	-	-	-
Loans and Receivables	306,590	306,590	-	-	-
Factoring Receivables	-	-	-	-	-
Held-to-maturity investments (net)	-	-	-	-	-
Investment in Associates (net)	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-
Property And Equipment (net)	5,503	3,505	-	-	1,998
Intangible Assets (net)	3,975	-	-	-	3,975
Investment Property (net)	-	-	-	-	-
Tax Asset	2,425	1,032	-	-	1,393
Assets Held For Resale And Related To Discontinued Operations (net)	-	-	-	-	-
Other Assets	2,402	2,402	-	-	-
<b>Total assets</b>	<b>1,291,801</b>	<b>1,279,919</b>	<b>4,516</b>	<b>-</b>	<b>7,366</b>
<b>Liabilities</b>					
Deposits	4	-	-	-	-
Derivative Financial Liabilities Held Trading	-	-	-	-	-
Funds Borrowed	-	-	-	-	-
Money Markets	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-
Other Liabilities	13,854	-	-	-	-
Factoring Payables	-	-	-	-	-
Lease Payables	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-
Provisions	23,549	-	-	-	-
Tax Liability	2,348	-	-	-	-
Liabilities For Property And EquipmentHeld For Sale And Related To Discontinued Operations (net)	-	-	-	-	-
Subordinated Loans	-	-	-	-	-
Shareholder's Equity	1,252,046	-	-	-	-
<b>Total liabilities</b>	<b>1,291,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**
**2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

	Current period 31.12.2019	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	1,676,970	1,646,920	-	33,866	-
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	1,676,970	1,646,920	-	33,866	-
4	Off-Balance Sheet Amounts	1,513,930	1,245,477	-	-	-
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	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	-	-
10	<b>Risk Amounts</b>	<b>3,190,900</b>	<b>2,892,397</b>	<b>-</b>	<b>33,866</b>	<b>-</b>

	Prior Period 31.12.2018	Total	Subject To Credit Risk	Subject to the Securitisation	Subject to Counterparty Credit Risk(*)	Subject To Market Risk (*)
1	Asset carrying value amount under scope of regulatory consolidation	1,291,801	1,278,889	-	19,618	-
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	1,291,801	1,278,889	-	19,618	-
4	Off-Balance Sheet Amounts	386,414	84,404	-	-	-
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	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	-	-
10	<b>Risk Amounts</b>	<b>1,678,215</b>	<b>1,363,293</b>	<b>-</b>	<b>19,618</b>	<b>-</b>

(\*) Potential risk arising from derivative transactions

**2.3. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposure**

The differences between the risk amounts and revalued assets in the financial statements arises from the off-balance sheet items, which are subject to tangible and intangible assets and changed conversion rates, and the derivative transactions followed in banking accounts.

**3. Credit quality of assets**

	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
<b>Current Period 31.12.2019</b>				
1	Loans	-	569,839	569,839
2	Debt Securities	-	-	-
3	Off-balance sheet exposures	-	1,245,477	1,245,477
4	<b>Total</b>	<b>-</b>	<b>1,815,316</b>	<b>1,815,316</b>

	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
<b>Prior Period 31.12.2018</b>				
1	Loans	-	306,690	306,690
2	Debt Securities	-	-	-
3	Off-balance sheet exposures	-	84,403	84,403
4	<b>Total</b>	<b>-</b>	<b>391,093</b>	<b>391,093</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**4. Changes in stock of defaulted loans and debt securities**

The Bank does not have any default receivables or borrowing instruments.

**5. Additional disclosures related to credit quality of assets**

**a. Scope and descriptions of “overdue” receivables and “provisioned” receivables which are used for accounting and differences between descriptions of “overdue” and “provisioned” if available**

The Bank has no overdue receivables.

**b. Part of overdue receivables (more than 90 days) which are not evaluated as “provisioned” and reasons for this application**

The Bank has no overdue receivables.

**c. Descriptions of methods used while determining provision amounts**

The general provision amount is specified in accordance with the rules stated in the “Regulation on the Principles and Procedures for the Determination of the Qualifications of Loans and Other Receivables and the Provisions to be Reserved for the Banks”.

**d. Descriptions of restructured receivables**

The Bank has no restructured receivables.

**e. Breakdown of receivables according to geographical regions, sector and residual maturity**

Separation of receivables according to geographical area (cash and non-cash loans and follow-up receivables):

<b>Current year</b>		<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
1	Domestic	208,137	45.87%	1,333,469	98.07%
2	European Union Countries	-	-	-	-
3	OECD Countries *	245,594	54.13%	26,289	1.93%
4	Off-shore Banking Regions	-	-	-	-
5	USA, Canada	-	-	-	-
6	Other Countries	-	-	-	-
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-
8	Unallocated Assets / Liabilities	-	-	-	-
<b>9</b>	<b>Total</b>	<b>453,731</b>	<b>100%</b>	<b>1,359,758</b>	<b>100%</b>

(\*) Including OECD countries except EU countries, USA and Canada.

<b>Prior year</b>		<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
1	Domestic	-	-	470,244	99%
2	European Union Countries	-	-	-	-
3	OECD Countries *	-	-	2,577	1%
4	Off-shore Banking Regions	-	-	-	-
5	USA, Canada	-	-	-	-
6	Other Countries	-	-	-	-
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-
8	Unallocated Assets / Liabilities	-	-	-	-
<b>9</b>	<b>Total</b>	<b>-</b>	<b>-</b>	<b>472,821</b>	<b>100%</b>

(\*) Including OECD countries except EU countries, USA and Canada.

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**e. Breakdown of receivables according to geographical regions, sector and residual maturity(continued)**

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

	Current period	TP	%	YP	%
1	<b>Agriculture</b>	-	-	-	-
2	Farming and Stockbreeding	-	-	-	-
3	Forestry	-	-	-	-
4	Fishery	-	-	-	-
5	<b>Manufacturing</b>	208,137	45,87%	440,626	32,40%
6	Mining and Quarrying	-	-	-	-
7	Production	-	-	-	-
8	Electricity, Gas and Water	208,137	45,87%	-	-
9	<b>Construction</b>	-	-	440,626	32,40%
10	<b>Services</b>	245,594	54,13%	859,692	63,22%
11	Wholesale and Retail Trade	-	-	-	-
12	Accommodation and Dining	-	-	-	-
13	Transportation and Telecom	-	-	300,435	22,09%
14	Financial Institutions	245,594	54,13%	559,257	41,13%
15	Real Estate and Rental Services	-	-	-	-
16	Professional Services	-	-	-	-
17	Educational Services	-	-	-	-
18	Health and Social Services	-	-	-	-
19	Other	-	-	59,440	4,37%
20	<b>Total</b>	<b>453,731</b>	<b>100%</b>	<b>1,359,758</b>	<b>100%</b>

	Current period	TP	%	YP	%
1	<b>Agriculture</b>	-	-	-	-
2	Farming and Stockbreeding	-	-	-	-
3	Forestry	-	-	-	-
4	Fishery	-	-	-	-
5	<b>Manufacturing</b>	-	-	-	-
6	Mining and Quarrying	-	-	-	-
7	Production	-	-	-	-
8	Electricity, Gas and Water	-	-	-	-
9	<b>Construction</b>	-	-	-	-
10	<b>Services</b>	-	-	472,821	100%
11	Wholesale and Retail Trade	-	-	-	-
12	Accommodation and Dining	-	-	-	-
13	Transportation and Telecom	-	-	470,244	99%
14	Financial Institutions	-	-	2,577	1%
15	Real Estate and Rental Services	-	-	-	-
16	Professional Services	-	-	-	-
17	Educational Services	-	-	-	-
18	Health and Social Services	-	-	-	-
19	Other	-	-	-	-
20	<b>Total</b>	<b>-</b>	<b>-</b>	<b>472,821</b>	<b>100%</b>

Current period	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
<b>Cash and Non-cash Loans</b>	41,354	8,177	37,012	464,498	1,262,448	-	1,813,489

Prior period	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
<b>Cash and Non-cash Loans</b>	4,480	-	33,567	352,947	81,827	-	472,821



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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

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

There is no amount written-off from assets through related provisions.

**g. Aging analysis for overdue receivables**

The Bank has no overdue receivables.

**h. Breakdown of restructured receivables based on being provisioned or not**

There is no amount written-off from assets through related provisions.

**6. Credit Risk Mitigation**

**6.1. Qualitative disclosure on credit risk mitigation techniques**

During the lending process, the Bank considers the cash flow of the activity or investment that is subject to credit as the primary source of reimbursement.

Calculation of the collateral amount is based on margins determined by market and currency risk. Standard margins applied across the Bank are specific to the type of collateral and may vary depending on the type, maturity and currency of the loan.

If the loan is established with a guarantee condition, the collaterals must be entered into the banking system.

The credit risk that the Bank is exposed to and the credit risk mitigation techniques used to mitigate this risk are taken into account in accordance with the standards specified in the legislation in the event that there is a collateral for the loan.

There are no netting-off on-balance sheet and off-balance sheet items within the Bank. Financial collaterals and counter-guarantees, which consist of foreign currency cash deposit collateral, are used as credit mitigation technique.

**6.2. Credit risk mitigation techniques**

Current Period 31.12.2019		Exposures unsecured: carrying amounts per TAS	Exposures secured by collateral	Collateralized amount of exposures secured bycollateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	569,839	-	-	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	<b>Total</b>	<b>569,839</b>	-	-	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

Prior Period 31.12.2018		Exposures unsecured: carrying amounts per TAS	Exposures secured by collateral	Collateralized amount of exposures secured bycollateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	306,690	-	-	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	<b>Total</b>	<b>306,690</b>	-	-	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**7. Credit Risk if the Standard Approach is used**

Bank of China Turkey uses external ratings provided by Fitch Ratings when calculating the credit risk by the standard method. Within this scope, the Bank's risk weights in the Receivables from Central Governments or Central Banks risk class are determined by taking into consideration the matching table provided by Fitch Ratings and determined by the BRSA for the said CRA.

Credit Quality Stage	Long Term Credit Ratings	
	Fitch Ratings	Receivables from Central Government and Central Banks Risk Weight (%)
1	AAA and AA-	0
2	A+ and A-	20
3	BBB+ and BBB-	50
4	BB+ and BB-	100
5	B+ and B-	100
6	CCC+ and below	150

**7.1. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects**

Current Period 31.12.2019		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	372,281	-	372,281	-	40,054	11%
2	Exposures to regional governments or local Authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	713,368	804,851	713,368	668,910	755,272	55%
7	Exposures to corporates	569,839	440,626	569,839	440,626	1,010,465	100%
8	Retail exposures	-	-	-	-	-	-
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	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-
17	Equity Investment	25,298	-	25,298	-	25,298	100%
18	<b>Total</b>	<b>1,680,786</b>	<b>1,245,477</b>	<b>1,680,786</b>	<b>1,109,536</b>	<b>1,831,089</b>	<b>66%</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

**7.1. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects(continued)**

Previous Period 31.12.2018		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		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	16,421	-	16,421	-	10,562	64%
2	Exposures to regional governments or local Authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	970,948	2,576	970,948	1,288	200,792	21%
7	Exposures to corporates	306,690	81,827	306,690	81,827	388,517	100%
8	Retail exposures	-	-	-	-	-	-
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	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	4,448	-	4,448	-	4,448	100%
17	Equity Investment	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>1,298,507</b>	<b>84,403</b>	<b>1,298,507</b>	<b>83,115</b>	<b>604,319</b>	<b>85%</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**
**7.2. Standardised approach – exposures by asset classes and risk weights**

Current Period 31.12.2019												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others		
1	Exposures to central governments or central banks	332,227	-	-	-	-	40,054	-	-	-	372,281	
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	-	677,628	-	169,808	-	534,842	-	-	-	1,382,278	
7	Exposures to corporates	-	-	-	-	-	1,010,465	-	-	-	1,010,465	
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	-	-	-	
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-	
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-	
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	
17	Other receivables	-	-	-	-	-	25,298	-	-	-	25,298	
18	<b>Total</b>	<b>332,227</b>	<b>677,628</b>	<b>169,808</b>	<b>1,610,659</b>	<b>25,298</b>	<b>2,790,322</b>					

Prior period 31.12.2018												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others		
1	Exposures to central governments or central banks	5,859	-	-	-	-	10,562	-	-	-	16,421	
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	-	951,238	-	20,907	-	91	-	-	-	972,236	
7	Exposures to corporates	-	-	-	-	-	388,517	-	-	-	388,517	
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	-	-	-	
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-	
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-	
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	
17	Other receivables	-	-	-	-	-	4,448	-	-	-	4,448	
18	<b>Total</b>	<b>5,859</b>	<b>951,238</b>	<b>20,907</b>	<b>403,618</b>	<b>4,448</b>	<b>1,381,622</b>					

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**
**8. Disclosures regarding Counterparty Credit Risk**
**8.1. Qualitative Disclosures on Counterparty Credit Risk**

The management, measurement and monitoring activities of counterparty credit risk are carried out within the scope of market risk appetite approved by Risk Committee and Board of Directors. Counterparty credit risk and credit value adjustments related to this risk are calculated by valuation method according to fair value in capital adequacy regulation and included in capital adequacy ratio.

**8.2. Analysis of counterparty credit risk (CCR) exposure by approach**

Current Period 31.12.2019		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	20,444	13,422		-	33,866	16,933
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
6	<b>Total</b>						<b>16,933</b>

Prior period 31.12.2018		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	4,516	15,102		-	19,618	9,809
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
6	<b>Total</b>						<b>9,809</b>

**8.3. Credit Valuation Adjustment (CVA) Capital Charge**

		Current Period 31.12.2019		Prior period 31.12.2018	
		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	33,866	16,933	19,618	9,809
4	<b>Total amount of CVA capital adequacy</b>	<b>33,866</b>	<b>16,933</b>	<b>19,618</b>	<b>9,809</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT(continued)**

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

Current Period 31.12.2019 Asset classes/ Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total risk
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	-	33,866	-	-	-	-	33,866
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>33,866</b>	-	-	-	-	<b>33,866</b>

Prior period 31.12.2018 Asset classes/ Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total risk
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	-	19,618	-	-	-	-	19,618
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>19,618</b>	-	-	-	-	<b>19,618</b>

**8.5. Composition of collateral for CCR exposure**

The Bank has no collaterals used for counterparty credit risk.

**8.6. Credit derivatives**

The Bank has no credit derivative.

**8.7.Risks to Central Counterparty**

The Bank has no risks to central counterparty.

**9. Securitization disclosures**

The Bank has no securities.

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**X. EXPLANATIONS ON MARKET RISK**

**1.1. Qualitative information which shall be disclosed to public related to market risk**

Market risk; is defined as the risk of loss in the value of assets and returns in the balance sheet and off-balance sheet as a result of changes in rates and prices in financial markets.

The Bank's market risk is determined, evaluated and managed within the framework of Market Risk Management Policy Bank. This policy covers the basic principles of the Bank in relation to market risk management, the duties and responsibilities of the parties involved in market risk management and the process related to the measurement, monitoring and reporting of market risk. Within the scope of market risk, the Bank has interest rate risk and currency risk. Standard method is used to measure market risk and to be the basis for capital allocation.

The Bank measures market risk within the framework of legal regulations. In addition, the Bank conducts stress tests and monitors the management of the risk.

The Bank carries out the stress test by applying negative and positive shocks on the yield curve and the interest rate risk arising from the on-balance sheet and off-balance sheet positions.

The Bank carries out stress tests and evaluates currency risk by applying changes in foreign exchange risk on foreign currency net general position.

The Bank has determined the risk appetite and limits related to market risk taking into account the activities and product structure.

**1.2. Market risk under standardised approach**

		Current Period 31.12.2019 Risk Weighted Asset	Prior period 31.12.2018 Risk Weighted Asset
	<b>Outright products</b>		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	33,172	29,423
4	Commodity risk	-	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	<b>Securitisation</b>	-	-
<b>9</b>	<b>Total</b>	<b>33,172</b>	<b>29,423</b>

**XI. EXPLANATIONS ON OPERATIONAL RISK**

The Bank used the "Basic Indicator Method" in computation of its operational risk. The amount subject to operational risk is calculated annually in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 29111 dated 6 September 2014. In the basic indicator method, the amount subject to operational risk is calculated by multiplying the average of 15% of the gross revenue amounts of the last three years by 12.5. Since the Bank started operations as of May 9, 2018, there is no gross income for the last three years. In current period calculated operational risk amount is TL 409.866. Since our bank started operations as of May 9, 2018, operational risk calculation could not be made for the reporting period of December 31, 2018.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross income	-	-	218,595	218,595	15	32,789
The amount subject to operational risk (Total*12.5)	-					409,866

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**XII. EXPLANATIONS REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES**

The following table summarises the book values and fair values of some financial assets and liabilities of the Bank;

	Current period		Prior period	
	Book Value	Fair Value	Book Value	Fair Value
<b>Financial Assets</b>	<b>1,575,134</b>	<b>1,575,134</b>	<b>1,256,559</b>	<b>1,256,559</b>
Due from Money Market	-	-	-	-
Due from Banks	677,701	677,701	949,969	949,969
Financial Assets That Fair Value Difference is Reflected on Their Comprehensive Income	-	-	-	-
Financial Assets Valued at Their Amortized Cost	329,421	329,421	-	-
Loans	568,012	568,012	306,590	306,590
<b>Financial Liabilities</b>	<b>195,218</b>	<b>195,218</b>	<b>25,901</b>	<b>25,901</b>
Bank Deposits	-	-	-	-
Other Deposits	75,685	75,685	4	4
Funds borrowed from other financial institutions	59,423	59,423	-	-
Subordinated loans	-	-	-	-
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	60,110	60,110	25,897	25,897

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

Aforesaid fair value hierarchy is determined as follows:

- a) Quoted market prices (non-adjusted) (1st level)
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- c) Data not based on observable data regarding assets or liabilities (3rd level)

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

Current period	1st Level	2nd Level	3rd Level	Total
<b>Financial Assets</b>	-	<b>20,444</b>	-	<b>20,444</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	-	-	-	-
Trading Derivative Financial Assets	-	20,444	-	20,444
<b>Financial Liabilities</b>	-	-	-	-
Trading Derivative Financial Liabilities	-	-	-	-
Prior period	1st Level	2nd Level	3rd Level	Total
<b>Financial Assets</b>	-	<b>4,516</b>	-	<b>4,516</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	-	-	-	-
Trading Derivative Financial Assets	-	4,516	-	4,516
<b>Financial Liabilities</b>	-	-	-	-
Trading Derivative Financial Liabilities	-	-	-	-

**XIII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES**

None.



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as at 31 December 2019**

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS**

**1. Information on cash and balances with the Central Bank of Turkey**

**1.1. Information on cash and cash equivalents**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	-	-	-	-
Balances with the Central Bank of Turkey	2,805	40,054	5,859	10,562
Other	-	-	-	-
<b>Total</b>	<b>2,805</b>	<b>40,054</b>	<b>5,859</b>	<b>10,562</b>

**1.2. Information related to account of Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,805	35,179	5,859	10,562
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	4,875	-	-
<b>Total</b>	<b>2,805</b>	<b>40,054</b>	<b>5,859</b>	<b>10,562</b>

According to the communiqué No: 2005/1 on "Reserve Deposits" of CBRT, the banks operating in Turkey are required to keep reserve deposit at the rates varying from 1% - 7% for TL liabilities and at the rates 5% - 21 % for FC liabilities depending on maturities of liabilities. According to the Central Bank of Turkey's press announcement No, 2014-72 dated 21 October 2014, the Reserve Deposits as from November 2014 are paid interest on the portion held in Turkish Lira and according to the Central Bank of Turkey's press announcement No. 2015-35 dated 2 May 2015, the Reserve Deposits as from May 2015 are paid interest on the portion held in USD.

Central Bank of the Republic of Turkey December 28, 2019 Date of gone to changes in required reserves and TL and FX required reserve ratio of banks' foreign currency indexed loans, with the exception of the loans granted to financial institutions, TL denominated cash loans on standard loans and close monitoring are associated with annual growth rates of the total.

Accordingly, excluding foreign currency indexed loans and loans extended to financial institutions, TL-based standard and cash loans in close monitoring will be calculated using the 3-month average values corrected by the Consumer Price Index according to the procedures and principles determined by the CBRT;

a) Annual loan growth rate is over 15%, and the adapted annual loan growth rate to be calculated by deducting all the annual change in 5 years and longer maturity loans and consumer loans and personal loans, which are longer than 2 years, from the share portion of the growth rate. Banks smaller than 15 and

b) Annual loan growth rate is below 15%, and adapted annual loan growth rate, which will be calculated by deducting 50% of the annual change in external consumer loans and consumer credit cards of 5 years and longer term housing loans, from the share portion of the growth rate. banks that are

2% foreign currency deposit / participation fund (foreign banks) in all maturity tranches of Turkish lira required reserve ratios, excluding 1 year and over 1 year maturity deposits (excluding foreign banks deposits) and other liabilities over 3 years (foreign banks deposits) It is stated that the following rates will be applied for the liabilities).

For banks that started operating with the permission of the Banking Regulation and Supervision Agency, differentiated reserve requirements are not applied for two years from the date of start of operation.

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**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)**

- a) Demand, with notice, up to 1 month, up to 3 months, up to 6 months and up to 1 year 17%  
b) 1% and over 1 year term 13%

For banks that meet the above mentioned conditions in loan growth rates, the first required reserve following the calculation period will apply the six required reserve ratios stated above, starting from the establishment period. As of October 4, 2019, it is stated that the banks that meet the loan growth conditions will be paid 10% interest on TL required reserves, and 0% interest on banks outside.

The Bank started its banking activities on May 9, 2018, therefore, our bank is exempted from the relevant law.

**2. Information on financial assets at fair value through profit or loss**

**2.1. Information on financial assets at fair value through profit or loss subject to repurchase agreement**

As of December 31, 2019 there are no financial assets at fair value through profit or loss subject to repurchase agreement (December 31, 2018: None).

As of December 31, 2019, the Bank does not have any collateral assets in exchange for Istanbul Stock Exchange (December 31, 2018: None).

**2.2. Positive differences related to financial assets at fair value through profit or loss**

None (December 31, 2018: None).

**3. Positive differences related to derivative financial assets**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	20,444	-	4,516	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>20,444</b>	<b>-</b>	<b>4,516</b>	<b>-</b>

**4. Information on Banks**

**4.1. Information on Banks and Other Financial Institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	668,860	8,841	929,139	20,830
<i>Domestic</i>	668,860	73	929,139	91
<i>Foreign</i>	-	8,768	-	20,739
<i>Foreign head-offices and branches</i>	-	-	-	-
<b>Total</b>	<b>668,860</b>	<b>8,841</b>	<b>929,139</b>	<b>20,830</b>

**4.2. Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	2,180	7,287	-	-
USA, Canada	-	-	-	-
OECD Countries *	6,588	13,452	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>8,768</b>	<b>20,739</b>	<b>-</b>	<b>-</b>

(\*)OECD countries other than European Union countries, USA and Canada

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**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)**

**5. Information on Financial Assets Valued at Fair value Through Other Comprehensive Income**

**5.1. Financial assets valued at fair value through other comprehensive income subject to repurchase agreements and provided as collateral/blocked**

As of December 31, 2019 there are no financial assets at fair value through other comprehensive income subject to repurchase agreement (December 31, 2018: None). As of December 31, 2019, there are no financial assets given as collateral/blocked (December 31, 2018: None).

**5.2. Information on Financial Assets Measured at Fair value Through Other Comprehensive Income**

None (December 31, 2018: None).

**6. Information on Loans**

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

None (December 31, 2018: None).

**6.2. Information on the first and second group loans and other receivables including rescheduled or restructured loans**

Cash Loans	Standart Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject To Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Re-finance
<b>Non-Specialized Loans</b>	<b>568,012</b>	-	-	-
Loans Given to Enterprises	-	-	-	-
Export Loans	208,137	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	359,875	-	-	-
<b>Specialized Loans</b>	-	-	-	-
<b>Other Loans</b>	-	-	-	-
<b>Total</b>	<b>568,012</b>	-	-	-

**6.3. Distribution of cash loans according to their maturities**

	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans	-	-	-
Medium and Long-term Loans	568,012	-	-
<b>Total</b>	<b>568,012</b>	-	-

**6.4. Information on consumer loans, individual credit cards, personnel loans and personel credit cards**

None (December 31, 2018: None).

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**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)**

**6.5. Information on commercial installment loans and corporate credit cards**

None (December 31, 2018: None).

**6.6. Loans according to types of borrowers**

	Current Period	Prior Period
Public	-	-
Private	568,012	306,590
<b>Total</b>	<b>568,012</b>	<b>306,590</b>

**6.7. Distribution of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	568,012	306,590
Foreign Loans	-	-
<b>Total</b>	<b>568,012</b>	<b>306,590</b>

**6.8. Loans given to associates and subsidiaries**

None (December 31, 2018: None).

**6.9. Liquidation policies for uncollectible loans and other receivables**

For the unrecoverable non-performing loans under legal follow-up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow-up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow-up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

**6.10. Explanations on write-off policy**

In order not to cause additional legal follow-up costs, non-performing loans and receivables which are not able to be collected may be written off from assets in accordance with the "Procedure for the overdue loans and receivables within the scope of legal follow-up and write off from assets".

There are no financial assets subject to write off in the current period (December 31, 2018: None).

**7. Information on financial assets measured at amortized cost**

**7.1. Information on financial assets that are subject to repo transactions and are given as collateral / blocked, and measured financial assets**

There are no financial assets subject to repurchase agreements in the current period (December 31, 2018: None). As of December 31, 2019, the Bank does not have securities given as collateral (December 31, 2018: None).

**7.2. Information on government debt securities measured at amortized cost**

	Current Period	Prior Period
Government Bond	329,421	-
Treasury Bonds	-	-
Other Public Debt Securities	-	-
<b>Total</b>	<b>329,421</b>	<b>-</b>

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as at 31 December 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)****7.3. Information on investments measured at amortized cost**

	<b>Current Period</b>	<b>Prior Period</b>
Debt Securities	329,421	-
<i>Quoted at Stock Exchange</i>	-	-
<i>Unquoted at Stock Exchange</i>	329,421	-
Value Increases/Impairment Losses (-)	-	-
<b>Total</b>	<b>329,421</b>	<b>-</b>

**7.4. Movements of investments measured at amortized cost during the year**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Opening balance</b>	-	-
Foreign exchange differences in monetary assets	-	-
Purchases during the year	340,071	-
Disposals through Sales and Redemptions	(10,650)	-
Value decrease equivalent	-	-
<b>Period end balance</b>	<b>329,421</b>	<b>-</b>

**8. Information on associates**

The Bank has no associates as of December 31, 2019 (December 31, 2018: None).

**9. Information on subsidiaries (net)**

The Bank has no subsidiaries as of December 31, 2019 (December 31, 2018: None).

**10. Information on entities under common control (Joint Ventures)**

The Bank does not have investments in entities under common control as of December 31, 2019 (December 31, 2018: None).

**11. Information on lease receivables**

The Bank does not have lease receivables as of December 31, 2019 (December 31, 2018: None).

**12. Information on derivative financial assets held for hedging purposes**

There are no derivative financial instruments for hedging purposes (December 31, 2018: None).

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as at 31 December 2019**

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

**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)**

**13. Information on tangible assets**

	Buildings	Leased Tangible Assets	Right-of- use Assets (*)	Vehicles	Other tangible assets(**)	Securities acquired through financial leasing	Total
<b>Prior Period</b>							
Cost	-	-	-	150	7,174	-	<b>7,324</b>
Accumulated depreciation (-)	-	-	-	5	1,816	-	<b>1,821</b>
<b>Net book value</b>	-	-	-	<b>145</b>	<b>5,358</b>	-	<b>5,503</b>
<b>Current Period</b>							
<b>Net book value at beginning of the period</b>	-	-	-	<b>145</b>	<b>5,358</b>	-	<b>5,503</b>
Additions	-	-	22,078	-	1,643	-	<b>23,721</b>
Transfers	-	-	-	-	-	-	-
Disposals (-) (net)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Depreciation (-)	-	-	2,983	30	1,465	-	<b>4,478</b>
<b>Closing Net Book Value at Period End</b>	-	-	<b>19,095</b>	<b>115</b>	<b>5,536</b>	-	<b>24,746</b>
Cost at the end of current period	-	-	22,078	150	8,817	-	<b>31,045</b>
Accumulated depreciation at end of current period(-)	-	-	2,983	35	3,281	-	<b>6,299</b>
<b>Current Period</b>	-	-	<b>19,095</b>	<b>115</b>	<b>5,536</b>	-	<b>24,746</b>

(\*)Includes office and car leases accounted within scope of TFRS 16.

(\*\*)Other tangible assets consist of office machinery, furniture and furnishing and operating lease development costs.

**14. Information on intangible assets**

Costs	Rights	
	Current Period	Prior Period
Opening Balance, January 1	7,654	5,543
Additions	1,366	2,111
<b>Closing Balance, December31</b>	<b>9,020</b>	<b>7,654</b>
<b>Accumulated Depreciation</b>	<b>Current Period</b>	<b>Prior Period</b>
Opening Balance, January 1	(3,679)	(1,456)
Depreciation	(2,693)	(2,223)
<b>Closing Balance, December 31</b>	<b>(6,372)</b>	<b>(3,679)</b>
<b>Net Book Value, December 31</b>	<b>2,648</b>	<b>3,975</b>

**15. Information on investment properties (net)**

None (December 31, 2018: None).

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

**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS(continued)**

**16. Information on Deferred Tax asset**

According to the provisions of TAS 12 "Income Taxes" of the Bank and the provisions of the BRSA General Regulation No, DZM,2 / 13/1-a-3 of 8 December 2004, it is possible to obtain a financial profit that can be deducted in the following periods according to tax legislation, deferred tax asset on deductible temporary differences except for provisions and deferred tax asset on taxable temporary differences.

As of 31 December 2019, net deferred tax liabilities amounted to TL 5.228 (December 31,2018: TL 1,393) has been reflected in the financial statements of the Bank after netting the deferred tax asset amounting to TL 5.640 (December 31: 2018: TL 1,779) and the tax liability amounting to TL 412 (December 31,2018: TL 386).

Current and prior period deferred tax assets and liabilities movements are as follows:

	Current Period	
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Retirement Pay and Unused Vacation Provision	432	91
Bonus Provision	4,605	1,013
Tangible Assets Amortization Differences	(1,875)	(412)
Differences Arising From Market Value of Derivative Financial Instruments	3,314	729
Commission charged in advance	10,689	2,352
MTM – SL securities interest difference	6,093	1,340
Other	523	115
<b>Total</b>	<b>23,781</b>	<b>5,228</b>

	Prior Period	
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Retirement Pay and Unused Vacation Provision	226	48
Bonus Provision	2,976	655
Tangible Assets Amortization Differences	(1,314)	(289)
Differences Arising From Market Value of Derivative Financial Instruments	(441)	(97)
Other	4,886	1,076
<b>Total</b>	<b>6,333</b>	<b>1,393</b>

**17. Information on assets held for sale and non-current assets related to discontinued operations**

None (December 31, 2018: None).

**18. If the other assets item of the balance sheet exceeds 10% of the total balance sheet excluding commitments in the off-balance sheet accounts, the names and amounts of the sub-accounts constituting at least 20% of the balance sheet**

Other assets do not exceed 10% of total assets excluding the off-balance sheet items (December 31, 2018: None).

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**II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES**

**1. Information on deposits**

**1.1. Information on maturity structure of deposits**

Current Period								1 Year	Cumulative	Total
	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6- 1 Year	and Over	Deposit		
Saving Deposits	-	-	-	-	-	-	-	-	-	
Foreign Currency Deposits	8	-	-	-	-	-	-	-	8	
Residents in Turkey	8	-	-	-	-	-	-	-	8	
Residents Abroad	-	-	-	-	-	-	-	-	-	
Public Sector Deposits	-	-	-	-	-	-	-	-	-	
Commercial Deposits	10,057	65,620	-	-	-	-	-	-	75,677	
Other Ins. Deposits	-	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	-	-	-	-	-	-	-	-	
Interbank Deposits	-	-	-	-	-	-	-	-	-	
Central Bank of Turkey	-	-	-	-	-	-	-	-	-	
Domestic Banks	-	-	-	-	-	-	-	-	-	
Foreign Banks	-	-	-	-	-	-	-	-	-	
Special Finan. Inst.	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>10,065</b>	<b>65,620</b>	-	-	-	-	-	-	<b>75,685</b>	

Prior Period								1 Year	Cumulative	Total
	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6- 1 Year	and Over	Deposit		
Saving Deposits	-	-	-	-	-	-	-	-	-	
Foreign Currency Deposits	3	-	-	-	-	-	-	-	3	
Residents in Turkey	3	-	-	-	-	-	-	-	3	
Residents Abroad	-	-	-	-	-	-	-	-	-	
Public Sector Deposits	-	-	-	-	-	-	-	-	-	
Commercial Deposits	1	-	-	-	-	-	-	-	1	
Other Ins. Deposits	-	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	-	-	-	-	-	-	-	-	
Interbank Deposits	-	-	-	-	-	-	-	-	-	
Central Bank of Turkey	-	-	-	-	-	-	-	-	-	
Domestic Banks	-	-	-	-	-	-	-	-	-	
Foreign Banks	-	-	-	-	-	-	-	-	-	
Special Finan. Inst.	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>4</b>	-	-	-	-	-	-	-	<b>4</b>	

**1.2. Information on saving deposits under insurance**

**1.2.1. Amounts exceeding the insurance limit**

None (December 31, 2018: None).

**1.3. Saving deposits that are not under the guarantee of deposit insurance fund**

There are no saving deposits that are not under the guarantee of deposit insurance fund as of December 31, 2019 (December 31, 2018: None).



**Notes to unconsolidated financial statements  
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*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

**II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES(continued)**

**2. Information on derivative financial liabilities**

**2.1. Negative differences table related to derivative financial liabilities**

None (December 31, 2018: None).

**3. Information on borrowings**

**3.1. Banks and other financial institution**

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From domestic Banks and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	59,423	-	-
<b>Total</b>	-	<b>59,423</b>	-	-

**3.2. Maturity structure of borrowings**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and Long-term	-	59,423	-	-
<b>Total</b>	-	<b>59,423</b>	-	-

**4. If the foreign liabilities of the balance exceed 10% of the total balance sheet excluding the penalty and off-balance sheet commitments, the names and amounts of the sub-accounts constituting at least 20%**

Other foreign liabilities do not exceed 10% of the balance sheet total (December 31, 2018: Not exceeding).

**5. Information on Lease Obligations**

**5.1. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

The Bank does not have any financial lease agreement (December 31, 2018: None).

**5.2. Detailed explanation of contract amendments and new obligations of these amendments to the Bank**

The Bank does not have any financial lease agreement (December 31, 2018: None).

**5.3. Information on operational lease**

Following the TAS 16 Leases Standard which was put into effect as of 1 January 2019, the total net operating lease amount of the Bank is TL 22,412. Implementation and impacts related to the transition of TAS 16 are explained in Note XIII of Section Three.

**5.4. Information on "Sale -and- lease back" agreements**

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2018: None).

**6. Information on derivative financial liabilities for hedging purposes**

There are no derivative financial liabilities for hedging purposes (December 31, 2018:None).

**Notes to unconsolidated financial statements  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES(continued)**

**7. Information on Provisions**

**7.1. Information on General Provisions**

	Current Period	Prior Period
Loans and Receivables in Group I	18,745	18,874
Additional Provision for Loan and Receivables with Extended Maturities	-	-
Loans and Receivables in Group II	-	-
Additional Provision for Loan and Receivables with Extended Maturities	-	-
Non-Cash Loans	16,844	1,473
Others	-	-
<b>Total</b>	<b>35,589</b>	<b>20,347</b>

The Bank allocates general provisions in accordance with the criteria set out in Section Three - Article 10 of the "Regulation on the Classification of Loans and the Provisions to be Reserved for Such Loan".

**General provision movement**

	Current Period	Prior Period
Opening Balance, January 1	20,347	-
Period expenses	15,242	20,347
Cancelled provision	-	-
<b>Closing Balance</b>	<b>35,589</b>	<b>20,347</b>

**7.2. Information on other provisions**

None (December 31, 2018: None).

**7.2.1. Provision for probable losses**

None (December 31, 2018: None).

**7.2.2. The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions**

Other provisions do not exceed 10% of the total provisions (December 31, 2018: Not exceed).

**7.2.3. Explanations on reserves for employee benefit**

The table of current and previous period retirement pay provision is as follows:

	Current Period	Prior Period
Opening Balance, January 1	92	4
Period expenses	90	83
Payments made	-	-
Actuarial Difference	19	5
<b>Closing Balance</b>	<b>201</b>	<b>92</b>

In accordance with the current labour law in Turkey, the Bank is required to pay termination benefits to the personnel who are dismissed from work due to retirement or who are terminated for reasons other than resignation and abuse. These compensations are the 30-day Gross wage for each year of work based on the wage on the date of dismissal. As of December 31, 2019 and December 31, 2018, the ceiling of the provision for employment termination benefits is TL 6,730.15 (full TL) and TL 6,380 (full TL) respectively.

**Notes to unconsolidated financial statements  
as at 31 December 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES(continued)****7.2.3. Explanations on reserves for employee benefit(continued)**

In the financial statements of December 31, 2019 and December 31, 2018 the Bank calculates the termination indemnity by discounting the annual inflation and interest rate usage. The inflation and interest rates used are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Inflation Rate	5.90%	10.40%
Interest Rate	9.39%	16.00%

As of December 31, 2019, total provision for employee benefits amounting to TL 5,036 (December 31, 2018: TL 3,202) is composed of TL 231 unused vacation provision (December 31, 2018: TL 134), TL 4.605 bonus provision as of December 31, 2019 (December 31, 2018: TL 2,976), TL 201 provision for employee termination benefits (December 31, 2018: 92 TL).

**8. Explanations on Tax Liability**

As of December 31, 2019, the Bank has current tax liability of TL 19,484 (December 31, 2018 : TL 2,348).

The Bank has a corporate tax amount of TL 17,875 (December 31, 2018:None) to be paid after the deduction of the prepaid corporate tax of TL 45,828 (December 31, 2018: 42,387) from the corporate tax calculated as TL 63,703 (December 31, 2018: 41,355).

**8.1. Information on tax payables**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	17,875	-
Taxation on securities	344	-
Property tax	11	9
Banking and Insurance Transaction Tax (BITT)	454	286
Taxes on foreign exchange transactions	-	-
Value added taxes payable	124	1,025
Other	463	885
<b>Total</b>	<b>19,271</b>	<b>2,205</b>

**8.2. Information on premium**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums- Employee	92	62
Social Security Premiums- Employer	101	68
Unemployment Insurance- Employee	7	4
Unemployment Insurance- Employer	13	9
Other	-	-
<b>Total</b>	<b>213</b>	<b>143</b>

**8.3. Explanations on deferred tax liabilities**

None (December 31, 2018: None).

**9. Information on liabilities regarding assets held for sale and discontinued operations**

None (December 31, 2018: None).

**10. Explanations on Subordinated loans**

None (December 31, 2018: None).

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**II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES(continued)**

**11. Information on Shareholders' equity**

**11.1. Paid in Capital**

The Bank's paid-in capital is TL 1,051,230 as of December 31, 2019 (December 31, 2018: TL 1,051,230).  
The capital does not have a share certificate.

**11.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling**

Registered share capital system is not applied.

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**III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

**1. Information on off-balance sheet commitments**

**1.1. Nature and amount of irrevocable loan commitments**

None (December 31, 2018: None).

**1.2. Possible losses and commitments related to off-balance sheet items, including the ones listed below**

**1.2.1. Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits**

	<b>Current Period</b>	<b>Prior Period</b>
Guarantees	973,594	81,827
Bills of Exchange and Acceptances	-	-
Letters of Credit	-	-
<b>Total</b>	<b>973,594</b>	<b>81,827</b>

**1.2.2. Revocable, irrevocable guarantees and other similar commitments and contingencies**

	<b>Current Period</b>	<b>Prior Period</b>
Temporary letter of guarantees	16,857	-
Revocable letters of guarantee	794	-
Letters of guarantee given in advance	251,333	-
Guarantees given to customs	-	-
Other letter of guarantees	2,899	2,577
<b>Total</b>	<b>271,883</b>	<b>2,577</b>

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**III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS(continued)**

**1.3. Explanation on Non-cash loans**

**1.3.1. Total amount of non-cash loans**

	Current Period	Prior Period
Non-Cash Loans Given against Cash Loans	973,594	81,827
With Original Maturity of 1 Year or Less Than 1 Year	532,968	-
With Original Maturity of More Than 1 Year	440,626	81,827
Other Non-Cash Loans	271,883	2,577
<b>Total</b>	<b>1,245,477</b>	<b>84,404</b>

**1.3.2. Information on sectoral risk breakdown of non-cash loans irrevocable loan commitments (excluding forward asset sales and purchase commitments)**

	December 31, 2019			
	TL	(%)	FC	(%)
Agricultural	-	-	-	-
Farming and Livestock	-	-	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Production	-	-	-	-
Electric, Gas, Water	-	-	-	-
Construction	-	-	-	-
Services	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Hotel and Food Services	-	-	-	-
Transportation and Telecommunication	-	-	440,626	44.07%
Financial Institutions	245,594	100%	559,257	55.93%
Real Estate and Leasing Ser.	-	-	-	-
Professional Services	-	-	-	-
Education Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>245,594</b>	<b>100%</b>	<b>999,883</b>	<b>100%</b>

	December 31, 2018			
	TL	(%)	FC	(%)
Agricultural	-	-	-	-
Farming and Livestock	-	-	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Production	-	-	-	-
Electric, Gas, Water	-	-	-	-
Construction	-	-	-	-
Services	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Hotel and Food Services	-	-	-	-
Transportation and Telecommunication	-	-	81,827	96.95%
Financial Institutions	-	-	2,577	3.05%
Real Estate and Leasing Ser.	-	-	-	-
Professional Services	-	-	-	-
Education Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>84.404</b>	<b>100%</b>

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**III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS(continued)**

**1.3.3. Information on non-cash loans classified in 1st and 2nd group**

<b>31.12.2019</b>	<b>Group 1</b>		<b>Group 2</b>	
<b>Non-cash loans</b>	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of Guarantee	245,594	26,289	-	-
Acceptance and Acceptance Loans	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	973,594	-	-
<b>Total</b>	<b>245,594</b>	<b>999,883</b>	-	-

<b>31.12.2018</b>	<b>Group 1</b>		<b>Group 2</b>	
<b>Non-cash loans</b>	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of Guarantee	-	2,577	-	-
Acceptance and Acceptance Loans	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	81,827	-	-
<b>Total</b>	-	<b>84,404</b>	-	-

**2. Information related to derivative financial instruments**

	<b>Current period</b>		<b>Prior period</b>	
	<b>Types of Derivative Transactions</b>		<b>Types of Derivative Transactions</b>	
<b>Current period</b>	<b>Trading</b>	<b>Hedging</b>	<b>Trading</b>	<b>Hedging</b>
<b>Types of Trading Transactions</b>				
<b>Foreign currency related derivative transactions (I)</b>	<b>564,546</b>	<b>-</b>	<b>604,120</b>	<b>-</b>
Currency forward transactions	-	-	-	-
Currency swap transactions	564,546	-	604,120	-
Futures transactions	-	-	-	-
Options	-	-	-	-
<b>Interest related derivative transactions (II)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Forward rate agreements	-	-	-	-
Interest rate swaps	-	-	-	-
Interest rate options	-	-	-	-
Interest rate futures	-	-	-	-
<b>Other derivative transactions for trade (III)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>564,546</b>	<b>-</b>	<b>604,120</b>	<b>-</b>
<b>Types of hedging transactions</b>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Foreign currency investment hedges	-	-	-	-
<b>B. Total hedging related derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>564,546</b>	<b>-</b>	<b>604,120</b>	<b>-</b>

**3. Explanation on credit derivatives and risk exposures due to these credit derivatives**

None (December 31, 2018: None).

**4. Explanation on contingent liabilities and assets**

None (December 31, 2018: None).

**5. Off-balance sheet items related to assets held for sale and discontinued operations**

None (December 31, 2018: None).

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**IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT**

**1. Information on interest income**

**1.1. Information on interest on loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans	32,650	10,266	-	4,480
Short-term Loans	-	-	-	-
Medium/Long-term Loans	32,650	10,266	-	4,480
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>32,650</b>	<b>10,266</b>	<b>-</b>	<b>4,480</b>

**1.2. Information on interest income received from banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	518	271	-	109
Domestic Banks	173,758	3	179,640	132
Foreign Banks	-	6	-	4
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>174,276</b>	<b>280</b>	<b>179,640</b>	<b>245</b>

\* The interest income on Required Reserves amounting to TL 2 is not included into interest income on Banks (December 2018: None).

**1.3 Interest received from marketable securities portfolio**

	Current period		Prior period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Financial Assets Measured at Amortized Cost	17,715	-	-	-
<b>Total</b>	<b>17,715</b>	<b>-</b>	<b>-</b>	<b>-</b>

**1.4. Information on interest income received from associates and subsidiaries**

None (December 31, 2018: None).

**2. Information on Interest Expense**

**2.1. Information on interest on funds borrowed**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>-</b>	<b>473</b>	<b>-</b>	<b>-</b>
TR Central Bank	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Headquarters and Branches	-	473	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>473</b>	<b>-</b>	<b>-</b>

**2.2. Information on interest expenses to associates and subsidiaries**

None (December 31, 2018: None).

**2.3. Information on interest expenses to marketable securities**

None (December 31, 2018: None).



**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

**IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT(continued)**

**2.4. Information on interest expense to maturity structure of deposits**

Current Period 31.12.2019								
Time Deposit								
Account Name	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Month	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
<b>Turkish Currency</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Savings Deposits	-	-	-	-	-	-	-	-
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	9,063	8,763	-	-	-	-	17,826
Other Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>9,063</b>	<b>8,763</b>	-	-	-	-	<b>17,826</b>
<b>Foreign Currency</b>								
Foreign Currency Account	-	-	12	-	-	-	-	12
Bank Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>12</b>	-	-	-	-	<b>12</b>
Prior Period 31.12.2018								
Time Deposit								
Account Name	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Month	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
<b>Turkish Currency</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Savings Deposits	-	-	-	-	-	-	-	-
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	2	-	-	-	-	-	2
Other Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2</b>	-	-	-	-	-	<b>2</b>
<b>Foreign Currency</b>								
Foreign Currency Account	-	-	-	-	-	-	-	-
Bank Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

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

**IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT(continued)**

**2.5. Interest expense on operational leases**

	Current period	Prior Period
Operational Financial Leases	1,019	-
<b>Total</b>	<b>1,019</b>	<b>-</b>

**3. Information on dividend income**

None (December 31, 2018: None).

**4. Information on net trading income / loss**

	Current Period	Prior Period
<b>Income</b>	<b>326,029</b>	<b>312,265</b>
Gains on Capital Market Operations	-	-
Gains on Derivative Financial Instruments	52,913	4,016
Foreign Exchange Gains	273,116	308,249
<b>Loss (-)</b>	<b>247,772</b>	<b>281,218</b>
Losses on Capital Market Operations	-	-
Losses on Derivative Financial Instruments	6,010	-
Foreign Exchange Losses	241,762	281,218
<b>Total</b>	<b>78,257</b>	<b>31,047</b>

**5. Information on other operating income**

	Current Period	Prior Period
Adjustment to previous years expenses	32	102
Other	28	-
<b>Total</b>	<b>60</b>	<b>102</b>

**6. Impairment provisions on loans and other receivables**

	Current Period	Prior Period
<b>Specific Provisions</b>	<b>-</b>	<b>-</b>
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	-	-
<b>General Provisions</b>	<b>15,242</b>	<b>20,347</b>
<b>Impairment Losses on Securities</b>	<b>-</b>	<b>-</b>
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
<b>Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities</b>	<b>-</b>	<b>-</b>
Subsidiaries	-	-
Joint Ventures	-	-
Investments Held to Maturity	-	-
Other	-	-
<b>Total</b>	<b>15,242</b>	<b>20,347</b>

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

**IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT(continued)**

**7. Information related to other operational expenses**

	Current Period	Prior Period
Provision for Employee Termination Benefits	90	83
Provision for Bank's Social Aid Fund Deficit	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Charges of Tangible Assets	4,478	1,166
Impairment Losses on Intangible Assets	-	-
Impairment losses on goodwill	-	-
Amortization Charges of Intangible Assets	2,694	2,223
Impairment Losses on Investment Accounted for under Equity Method	-	-
Impairment of Assets to be Disposed	-	-
Depreciation of Assets to be Disposed	-	-
Impairment of Assets Held for Sale	-	-
Other Operating Expenses	8,792	15,738
<i>Operational Leases Expenses</i>	62	287
<i>Repair and Maintenance Expenses</i>	72	95
<i>Advertisement Expenses</i>	-	-
<i>Other Expenses</i>	8,658	15,356
Losses on Sale of Assets	-	-
Taxes	2,413	2,346
Other	6,155	7,876
<b>Total</b>	<b>24,622</b>	<b>29,432</b>

(\*) The amount of TL 6,155 in the "Other" title consists of TL 4,702 employee benefits provisions, TL 1,363 auditing services and advisory services, TL 90 operational costs.

**8. Information on profit/loss before tax from continued and discontinued operations**

As of December 31, 2019 Profit before tax from continued operations is TL 253,622 (December 31, 2018: TL 154,523).

**9. Explanations on tax provision for continued and discontinued operations**

The tax expense for the period ended December 31, 2019 is TL 59,218 (December 31, 2018: TL 39,789).

**10. Information on profit/loss after tax from continued and discontinued operations**

As of December 31, 2019, operating profit after-tax is TL 194,404 (December 31, 2018: TL 114,734).

**11. Information on net profit/loss for the period**

Interest income from ordinary banking transactions amounted to TL 235,189 (December 31, 2018: TL 184,365). Interest expenses arising from ordinary banking transactions are TL 19,340 (December 31, 2018: None). As of December 31, 2019, operating profit after-tax is TL 194,404 (December 31, 2018: TL 154,523).

There are no changes in the estimates made by the Bank regarding the financial statement items.  
There is no profit or loss related to minority shares.

**12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement**

Other items in the statement of income do not exceed 10% of the statement of income.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY**

**1. Information on distribution of profit**

The legal reserves are allocated to the first and second reserves in accordance with Turkish Commercial Code (TTK). First legal reserves are allocated as 5% of the profit until the total reserves reach 20% of the paid-in capital.

The Bank's Ordinary General Assembly Meeting was held on 28 March 2019. At the Ordinary General Assembly Meeting, it was decided to transfer the unconsolidated net profit amounting to 114,734 TL from the activities of 2018 to 5,737 TL to general legal reserves and 108,897 TL to extraordinary reserves. On March 31, 2019, 114,734 TL was transferred to reserve funds account.

The authorized body of the Bank regarding the distribution of profit is the General Assembly and as of the date of these financial statements, the annual ordinary General Assembly has not been held yet. Profit distribution for 2019 has not been made yet.

**2. Explanations on increase / decrease balance due to merger**

None.

**3. Explanations on available-for-sale financial assets**

None.

**4. Information on increases in cash flow hedges**

None.

**5. Settlement of exchange rate differences at the beginning and end of the period**

None.

**6. Information on issuance of shares**

The Bank does not have any instruments representing the borrowing issued by the Bank itself. The Bank does not have any dividends related to the shares announced after the balance sheet date.

**Notes to unconsolidated financial statements  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**1. Information on cash and cash equivalent assets**

**a) Components of cash and cash equivalents and the accounting policy applied in their determination**

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents"

**2. Information on cash and cash equivalents at the beginning and end of the period**

The components of cash and cash equivalents, the accounting policy used in the determination of these elements, the effect of any change in accounting policy in the current period and the amounts recorded in the balance sheet and cash flow statement of the items that make up the cash and cash equivalents:

**a) Cash and cash equivalents at the beginning of period**

	01.01.2019	09.05.2018
Cash	-	-
Cash equivalents	963,359	1,156,510
<i>Receivables from banks and money market</i>	946.990	1,156,510
<i>CBRT</i>	16,369	-
<b>Total</b>	<b>963,359</b>	<b>1,156,510</b>

**b) Cash and cash equivalents at the end of the period**

	31.12.2019	31.12.2018
Cash	-	-
Cash equivalents	716,744	963,359
<i>Receivables from banks and money market</i>	674,034	946.990
<i>CBRT</i>	42,710	16,369
<b>Total</b>	<b>716,744</b>	<b>963,359</b>

**3. Disclosures for "other" items and "effect of change in foreign currency rates cash and cash equivalents" in statements of cash flows**

"Net Increase (Decrease) in Other Payables" item, which is included in the "Change in Assets and Liabilities on Banking Activities" amounting to TL 949 (31 December 2018: TL -12.614.) mainly consists of debts to sellers.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

**VII. EXPLANATIONS AND DISCLOSURES ON THE RISK GROUP OF THE BANK**

**1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period**

**a) Explanations and disclosures on the risk group of the Bank**

December 31, 2019:

Bank's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash (**)	Non-Cash	Cash (**)	Non-Cash	Cash (**)	Non-Cash
<b>Current Period</b>						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	8,768	271,883	-	-
Interest and Commission Income Received	-	-	6	16,878	-	-

(\*) It is defined in paragraph 2 of Article 49 of the Banking Act No. 5411.

(\*\*) The information in the above table includes the receivables from banks as well as the commissions to be received in the maturity.

December 31, 2018:

Bank's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash (**)	Non-Cash	Cash (**)	Non-Cash	Cash (**)	Non-Cash
<b>Prior Period</b>						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	20,739	2,577	-	-
Interest and Commission Income Received	-	-	4	1,609	-	-

(\*) It is defined in paragraph 2 of Article 49 of the Banking Act No. 5411.

(\*\*) The information in the above table includes the receivables from banks as well as the commissions to be received in the maturity.

**Notes to unconsolidated financial statements  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**VII. EXPLANATIONS AND DISCLOSURES ON THE RISK GROUP OF THE BANK(continued)**

**b) Information on deposits of the Bank's risk group**

Bank's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit (**)						
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	59,423	-	-	-
Interest Paid	-	-	483	-	-	-

(\*)It is defined in article 49, paragraph 2, of Banking Law No.

(\*\*) As of 31 December 2019 and 31,December 2018 the Bank has no deposit from its risk group. The numbers indicated above are representing funds borrowed and interest on funds borrowed from risk group.

As of December 31, 2018, the Bank has no deposits and interest expense from the risk group.

**c) Information on forward and option agreements and similar agreements made with Bank's risk group**

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets at Fair Value Through Profit and Loss:</b>						
Balance at the Beginning of the Period	-	-	604,120	-	-	-
Balance at the End of the Period	-	-	564,546	604,120	-	-
Total Income/Loss	-	-	46,903	4,016	-	-
<b>Transactions for Hedging Purposes:</b>						
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

**d) Information on the benefits provided to the Bank's top management**

As of December 31, 2019, TL 3,180 (December 31, 2018:TL 2,143) was paid to the top management of the Bank.

**e) Other transactions with the Bank's risk group**

As of December 31, 2019, the Bank has no other liabilities to the risk group arising from banking transactions(December 31, 2018:TL 7,741).

**Notes to unconsolidated financial statements  
as at 31 December 2019***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

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**VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR INVESTMENTS IN ASSOCIATES AND FOREIGN REPRESENTATIVE OFFICES**

	Number	Number of Employees			
Domestic Branch	-	39			
			Country of Incorporations		
Foreign Representation Office					
				Total Assets	Statutory Share Capital
Foreign Branch					
Off-shore Banking Region Branches					



**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS ON THE OPERATIONS OF THE BANK**

None.

**II. EVENTS AFTER THE BALANCE SHEET DATE**

None.

**Notes to unconsolidated financial statements  
as at 31 December 2019**

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

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**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

The unconsolidated financial statements as of December 31, 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor's independent audit report has been presented prior to the unconsolidated financial statements

**II. OTHER FOOTNOTES AND EXPLANATIONS PREPARED BY INDEPENDENT AUDITORS'**

None.