

**Istanbul Takas ve Saklama Bankası
Anonim Şirketi**

**Unconsolidated Interim Financial Statements as of
For the Nine-Month Period Ended 30 September 2019
With Auditor’s Independent Review Report Thereon**

*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

14 November 2019

*This report includes “Auditors’ Review Report”
comprising 2 pages and; “Unconsolidated Financial
Statements and Related Disclosures and Footnotes”
comprising 68 pages.*



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Convenience Translation of the Review Report Originally Prepared and Issued in Turkish

REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Istanbul Takas ve Saklama Bankası A.Ş.:

Introduction

We have reviewed the unconsolidated balance sheet of Istanbul Takas ve Saklama Bankası A.Ş. (the "Bank") as at 30 September 2019 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the nine month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Bank management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the Banking Regulation and Supervision Agency Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Agency ("BRSA") and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" for the matters not regulated by the aforementioned regulations (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial informations do not present fairly the financial position of Bank as at 30 September 2019 and its financial performance and of the results of its operations and its cash flows for the nine-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the reviewed unconsolidated interim financial statements and disclosures in all material respects.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

14 November 2019
İstanbul, Turkey

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I OF SECTION NINE**

**THE NINE MONTHS UNCONSOLIDATED FINANCIAL REPORT OF
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 30 SEPTEMBER 2019**

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The unconsolidated nine months financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations 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 THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- REVIEW REPORT
- INTERIM ACTIVITY REPORT

The accompanying nine months unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

Bekir Bayraktar
Deputy Chairman of the Board

Seyit Ahmet Işkın
Chairman of Audit
Committee

Ekrem Kerem Korur
Member of Audit Committee

Gökhan Elibol
Deputy of General Manager
Member of the Board

Serkan Aşkar
Vice President

Murat Görgün
Director

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

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

SECTION ONE

GENERAL INFORMATION

I. Bank's establishment date, start-up statute, history about the changes in this mentioned statute:

The Bank was originally set up as a department of the Borsa İstanbul A.Ş. ("BİAŞ") (formerly "İstanbul Menkul Kıymetler Borsası") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the decision made in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into Istanbul Takas ve Saklama Bankası A.Ş. (Here in after referred to as "Takasbank" or the "Bank") and this title change was approved in 11 April 2013. The name of the Bank has been renovated as "Takasbank" or "Takas İstanbul" with the resolution of the ordinary general meeting dated 9 June 2017 and numbered 22.

II. Explanation about the Bank's capital structure, shareholders who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank's risk group:

As of 30 September 2019 and 31 December 2018, the shareholders' structure and their respective ownerships are summarized as follows:

No	Name of Shareholders	Current Period			Prior Period		
		Paid in Capital	(%)	Number	Paid in Capital	(%)	Number
1	Borsa İstanbul A.Ş.	384,887	64.15	1	384,869	64.14	1
2	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
3	Tacirler Menkul Değerler A.Ş.	29,516	4.92	1	29,016	4.84	1
4	Phillip Capital Menkul Değerler A.Ş.	28,423	4.74	1	27,923	4.65	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
8	Other (Brokerage House)	28,638	4.77	25	29,656	4.95	26
9	Other (Bank)	20,101	3.35	8	20,101	3.35	8
Total		600,000	100.00	40	600,000	100.00	41

64.15% of the Bank's share belongs to BİAŞ. BİAŞ was established on the date of the entry into force of the Law to carry out stock market activities in accordance with Article 138 of the Capital Markets Law No. 6362, which was published in the Official Gazette on 30 December 2012 and entered into force. BİAŞ shall ensure that capital market instruments, foreign exchange and precious metals and precious stones and other contracts, documents and valuables deemed appropriate by the Capital Markets Board can be bought and sold in a transparent, effective, competitive, honest and stable environment easily and safely under the conditions of free competition markets, platforms and systems and other organized market places to facilitate the gathering of these orders and to determine and announce the prices that are formed and to establish and establish and maintain these and other stock exchanges or other market places is an institution with private legal entity established on the basis of the Capital Markets Law No. 6362 to manage and/or operate the markets of the stock exchanges.

Dividend payment

The General Assembly meeting was held on 19 April 2019. The Bank decided to pay a dividend of TL 75,000 to shareholders. The dividend payments were made on 2 May 2019.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess:

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility	Education Status
Murat Çetinkaya (*)	Chairman	Middle East University / Faculty of Engineering / Metallurgical Engineering / Undergraduate Marmara University / Banking / Graduate
Bekir Bayrakdar (*)	Deputy Chairman of the Board	Istanbul University / Faculty of Political Science / International Relations / Graduate
Gökhan Elibol (*)	Deputy General Manager - Board Member - Credit Committee Member	Marmara University / Institute of Social Sciences / International Economics / Graduate
Seyit Ahmet Işkın	Member (Chairman of the Audit Committee-Chairman of the Central Counterparty Risk Advisory Committee)	Istanbul University / Faculty of Political Science / Public Finance / Undergraduate Marmara University / Institute of Banking and Insurance / Graduate
Hüseyin Melih Akosman (*)	Member (Credit Committee Master Member)	Marmara University / Faculty of Economics and Administrative Sciences / Business Administration / Graduate Loyola University / Business Administration / Postgraduate
Suat Sarıgül (*)	Member (Credit Committee Associate Member)	Hacettepe University / Accounting / Undergraduate Gazi University / Faculty of Economics and Administrative Sciences / Business Administration / Graduate Ankara Hacı Bayram Veli University / Institute of Social Sciences / Accounting / Postgraduate
Ekrem Kerem Korur	Member (Audit Committee Member-Corporate Governance Committee Credit Committee Member)	Istanbul University / Faculty of Economics / Economics (English) / Undergraduate
Münevver Çetin	Member (Chairman of the Credit Committee)	Ankara University / Department of Economics Management / Undergraduate Ankara University / Institute of Social Sciences / Educational Administration and Planning / Graduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / Postgraduate
Gülseren Topuz	Member (Head of Corporate Governance Committee-ubstitute Member of Credit Committee-Central Counterparty Risk Advisory Committee Member)	Anadolu University / Faculty of Economics / Economics / Undergraduate Marmara University / Institute of Social Sciences / Statistics / Graduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / Postgraduate

(*) The General Assembly Meeting in 19 April 2019, Metin Kırath, Gülsevin Çipli and Kenan Ayvaci resigned from the membership of the board and Bekir Bayrakdar, Hüseyin Melih Akosman and Suat Sarıgül was appointed as Members of the Board of Directors. Also Mahmut Kayacık, resigned from the general manager and Gökhan Elibol who Assistant General Manager of the Bank was appointed as General Manager.

(*) On 25 April 2019, Ekrem Arkan, Executive Vice President in charge of Information Technology, resigned from his current position.

(*) On 31 August 2019, our Chairman of the Board of Directors Murat Çetinkaya resigned from his current position.

(*) On 19 August 2019, Excevutive Vice President responsible for Central Counterparty and Financial Services Serkan Aşkar took office.

(*) Mehmet Hakan Atilla was appointed as the Chairman of the Board of Directors on 25 October 2019.

General Manager and Assistant General Managers

Name Surname	Area of Responsibility	Education Status
Gökhan Elibol (*)	Deputy General Manager - Board Member - Credit Committee Member	Ankara University / Institute of Social Sciences / International Economics / Graduate
Serkan Aşkar (*)	Vice President	Bogazici University / Faculty of Engineering / Electrical and Electronics / Undergraduate University of Massachusetts / Faculty of Engineering / Electrical and Computing / Computer Systems / Graduate University of Massachusetts / Faculty of Engineering / Computer Systems / PhD

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

IV. Information on the Bank's qualified shareholders:

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 64.15% of the Bank belongs to BİAŞ. The Bank has no preferred shares as of 30 September 2019 (31 December 2018: nominal TL 200) (full TL). The preferred shares belonging to BİAŞ grants to shareholders the right to nominate four candidates to be elected to the Board of Directors by the General Assembly).

Name Surname/Business Name	Share Amount	Share Proportions	Paid-in Shares	Unpaid Shares
BİAŞ	384,887	64.15%	384,887	-

V. Information on the Bank's function and areas of activity:

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;
- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;
- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;
- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immoveable goods or removing all kinds of moveable and immoveable goods as well as all kinds of rights associated with them;
- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;
- Exporting all types of capital market instruments within the framework of Capital Markets legislation;
- Establish partnerships with domestic and foreign organizations and join existing partnerships.

VI. A short explanation of the differences between the "Communiqué on Preparation Of Consolidated Financial Statements Of Banks" and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods:

None.

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries:

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 30 SEPTEMBER 2019**

SECTION TWO

I. UNCONSOLIDATED BALANCE SHEET

ASSETS	Note	Reviewed Current Period			Audited Prior Period		
		30 September 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		9,345,506	4,684,848	14,030,354	6,995,028	4,601,829	11,596,857
1.1 Cash and Cash Equivalents		9,291,225	4,684,187	13,975,412	6,992,607	4,601,168	11,593,775
1.1.1 Cash and Balances with Central Bank	I-(1)	1,579	-	1,579	123	78,914	79,037
1.1.2 Banks	I-(3)	9,265,996	4,684,187	13,950,183	6,362,584	4,522,254	10,884,838
1.1.3 Money Markets	I-(3)	42,019	-	42,019	645,263	-	645,263
1.1.4 Expected Loss Provision (-)	I-(6)	18,369	-	18,369	15,363	-	15,363
1.2 Financial Assets at Fair Value Through Profit or Loss	I-(2)	-	-	-	-	-	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	I-(4)	2,421	661	3,082	2,421	661	3,082
1.3.1 Government Debt Securities		-	-	-	-	-	-
1.3.2 Equity Instruments		2,421	661	3,082	2,421	661	3,082
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	I-(5)	51,860	-	51,860	-	-	-
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		51,860	-	51,860	-	-	-
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		254,497	427,170	681,667	14,780	-	14,780
2.1 Loans	I-(6)	30,126	-	30,126	16,374	-	16,374
2.2 Lease Receivables	I-(11)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Financial Assets Measured at Amortised Cost	I-(7)	226,070	427,170	653,240	-	-	-
2.4.1 Government Debt Securities		226,070	427,170	653,240	-	-	-
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Loss Provision (-)		1,699	-	1,699	1,594	-	1,594
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	I-(13)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		4,825	-	4,825	4,825	-	4,825
4.1 Investments in Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		4,825	-	4,825	4,825	-	4,825
4.2.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825	4,825	-	4,825
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 Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		10,194	35	10,229	11,847	-	11,847
VI. INTANGIBLE ASSETS (Net)		104,630	-	104,630	102,497	-	102,497
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		104,630	-	104,630	102,497	-	102,497
VII. INVESTMENT PROPERTY (Net)	I-(12)	8,957	-	8,957	9,187	-	9,187
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	I-(14)	-	-	-	8,662	-	8,662
X. OTHER ASSETS	I-(15)	36,637	1,034	37,671	45,022	1,506	46,528
TOTAL ASSETS		9,765,246	5,113,087	14,878,333	7,191,848	4,603,335	11,795,183

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 30 SEPTEMBER 2019**

I. UNCONSOLIDATED BALANCE SHEET

LIABILITIES	Note	Reviewed Current Period 30 September 2019			Audited Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED		-	-	-	-	-	-
II. FUNDS BORROWED	II-(2)	751,262	2,123,618	2,874,880	652,957	2,772,457	3,425,414
III. MONEY MARKETS DEBTS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	II-(3)	7,109,061	2,606,617	9,715,678	4,682,635	1,814,943	6,497,578
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		7,109,061	2,606,617	9,715,678	4,682,635	1,814,943	6,497,578
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-(1)	-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES	II-(4)	417	35	452	-	-	-
X. PROVISIONS	II-(5)	55,851	-	55,851	76,086	-	76,086
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		16,372	-	16,372	12,685	-	12,685
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		39,479	-	39,479	63,401	-	63,401
XI. CURRENT TAX LIABILITY	II-(6)	46,981	-	46,981	50,620	-	50,620
XII. DEFERRED TAX LIABILITY		7,811	-	7,811	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	II-(7)	2,176,680	-	2,176,680	1,745,485	-	1,745,485
16.1 Paid-in capital		600,000	-	600,000	600,000	-	600,000
16.2 Capital Reserves		37,249	-	37,249	36,280	-	36,280
16.2.1 Share Premium		33,019	-	33,019	33,019	-	33,019
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserve		4,230	-	4,230	3,261	-	3,261
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(283)	-	(283)	909	-	909
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
16.5 Profit Reserves		1,033,296	-	1,033,296	606,526	-	606,526
16.5.1 Legal Reserves		108,468	-	108,468	79,981	-	79,981
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		922,184	-	922,184	523,901	-	523,901
16.5.4 Other Profit Reserves		2,644	-	2,644	2,644	-	2,644
16.6 Income or (Loss)		506,418	-	506,418	501,770	-	501,770
16.6.1 Prior Periods' Income or (Loss)		-	-	-	22,030	-	22,030
16.6.2 Current Period Income or (Loss)		506,418	-	506,418	479,740	-	479,740
16.7 Share Premium		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		10,148,063	4,730,270	14,878,333	7,207,783	4,587,400	11,795,183

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 30 SEPTEMBER 2019**

II. OFF-BALANCE SHEET

OFF-BALANCE SHEET COMMITMENTS		Note	Reviewed Current Period 30 September 2019			Audited Prior Period 31 December 2018		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		18,769,935	399,312	19,169,247	17,187,890	-	17,187,890
I.	GUARANTEES AND WARRANTIES	III-(1)	17,910,223	-	17,910,223	17,086,287	-	17,086,287
1.1.	Letters of Guarantee		-	-	-	-	-	-
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		-	-	-	-	-	-
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 the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		-	-	-	-	-	-
1.7.	Other Collaterals		-	-	-	-	-	-
1.8.	Import Letter of Acceptance		17,910,223	-	17,910,223	17,086,287	-	17,086,287
1.9.	Other Bank Acceptances		-	-	-	-	-	-
II.	COMMITMENTS	III-(1)	381,945	-	381,945	101,603	-	101,603
2.1.	Irrevocable Commitments		381,945	-	381,945	101,603	-	101,603
2.1.1.	Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		3,750	-	3,750	3,750	-	3,750
2.1.4.	Loan Granting Commitments		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		-	-	-	-	-	-
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		378,195	-	378,195	97,853	-	97,853
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		477,767	399,312	877,079	-	-	-
3.1	Hedging Derivative Financial Instruments		477,767	399,312	877,079	-	-	-
3.1.1	Fair value hedge		477,767	399,312	877,079	-	-	-
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Foreign Net Investment Hedges		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		-	-	-	-	-	-
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		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		3,960,466,892	1,001,182	3,961,468,074	3,625,215,989	894,537	3,626,110,526
IV.	ITEMS HELD IN CUSTODY		3,920,610,163	-	3,920,610,163	3,592,021,339	-	3,592,021,339
4.1.	Customer Fund and Portfolio Balances		1,761	-	1,761	1,178	-	1,178
4.2.	Investment Securities Held in Custody	III-(1)	3,920,606,902	-	3,920,606,902	3,592,018,661	-	3,592,018,661
4.3.	Checks 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		1,500	-	1,500	1,500	-	1,500
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		39,856,729	1,001,182	40,857,911	33,194,650	894,537	34,089,187
5.1.	Marketable Securities		18,288,084	1,001,182	19,289,266	7,162,527	894,537	8,057,064
5.2.	Guarantee Notes		-	-	-	-	-	-
5.3.	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		-	-	-	-	-	-
5.6.	Other Pledged Items		21,568,645	-	21,568,645	26,032,123	-	26,032,123
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			3,979,236,827	1,400,494	3,980,637,321	3,642,403,879	894,537	3,643,298,416

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

III. STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS		Note	Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
			1 January 2019- 30 September 2019	1 January 2018 - 30 September 2018	1 July 2019- 30 September 2019	1 July 2018- 30 September 2018
I.	INTEREST INCOME		603,786	455,442	188,566	189,435
1.1	Interest on Loans	IV-(1)	6,622	12,921	2,184	3,069
1.2	Interest Received from Reserve Requirements		-	-	-	-
1.3	Interest Received from Banks	IV-(1)	538,850	436,157	175,897	183,676
1.4	Interest Received from Money Market Transactions		37,881	-	-	-
1.5	Interest Received from Marketable Securities Portfolio	IV-(1)	19,708	5,645	10,289	2,227
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 Amortised Cost	IV-(1)	19,708	5,645	10,289	2,227
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		725	719	196	463
II.	INTEREST EXPENSE	IV-(2)	156,701	103,126	45,638	40,804
2.1	Interest on Deposits		-	-	-	-
2.2	Interest on Funds Borrowed		156,658	102,748	45,618	40,804
2.3	Interest Expense on Money Market Transactions		-	378	-	-
2.4	Interest on Securities Issued		-	-	-	-
2.5	Lease Interest Expenses		43	-	20	-
2.6	Other Interest Expenses		-	-	-	-
III.	NET INTEREST INCOME (I - II)		447,085	352,316	142,928	148,631
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		208,139	156,048	70,344	60,845
4.1	Fees and Commissions Received		230,923	173,595	78,391	67,540
4.1.1	Non-cash Loans		26,111	39,447	7,660	14,202
4.1.2	Other	IV-(11)	204,812	134,148	70,731	53,338
4.2	Fees and Commissions Paid		22,784	17,547	8,047	6,695
4.2.1	Non-cash Loans		-	-	-	-
4.2.2	Other		22,784	17,547	8,047	6,695
V.	DIVIDEND INCOME	IV-(3)	37,918	-	-	-
VI.	TRADING INCOME / LOSS (Net)	IV-(4)	49,518	10,907	26,915	7,908
6.1	Trading Gains/ Losses on Securities		-	-	-	-
6.2	Trading Gains/ Losses on Derivative Financial Instruments		55,186	-	56,138	-
6.3	Foreign Exchange Gains/ Losses		(5,668)	10,907	(29,223)	7,908
VII.	OTHER OPERATING INCOME	IV-(5)	21,621	2,960	2,349	23
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		764,281	522,231	242,536	176,359
IX.	EXPECTED CREDIT LOSS (-)	IV-(6)	3,110	16,889	(3,849)	4,940
X.	OTHER PROVISION EXPENSES (-)	IV-(7)	23,658	17,805	5,686	6,303
XI.	PERSONNEL EXPENSES (-)	IV-(7)	56,928	41,048	18,705	15,337
XII.	OTHER OPERATING EXPENSES (-)	IV-(7)	43,945	32,907	14,196	11,529
XIII.	NET OPERATING INCOME/ LOSS (VIII+...+XII)		636,640	413,582	207,798	179,298
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME/ LOSS ON NET MONETARY POSITION		-	-	-	-
XVII.	INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XIII+...+XVI)		636,640	413,582	207,798	179,298
XVIII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	IV-(8)	(130,222)	(89,806)	(45,180)	(39,171)
18.1	Current Tax Provision		(113,451)	(91,294)	(33,435)	(40,035)
18.2	Deferred Tax Income Effect (+)		-	-	-	-
18.3	Deferred Tax Expense Effect (-)		(16,771)	1,488	(11,745)	864
XIX.	NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	IV-(9)	506,418	323,776	162,618	140,127
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income from Non-Current Assets Held for Resale		-	-	-	-
20.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3	Other Income from Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expense from Non-Current Assets Held for Resale		-	-	-	-
21.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3	Other Expenses from Discontinued Operations		-	-	-	-
XXII.	INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Income Effect (+)		-	-	-	-
23.3	Deferred Tax Expense Effect (-)		-	-	-	-
XXIV.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	IV-(10)	506,418	323,776	162,618	140,127
Earnings / (Loss) Per Share in (Full TL)			0.8440	0.5396	0.2710	0.2335

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 30 September 2019	1 January- 30 September 2018
I.	CURRENT PERIOD INCOME/LOSS	506,418	323,776
II.	OTHER COMPREHENSIVE INCOME	(1,192)	931
2.1	Not Reclassified Through Profit or Loss	(1,192)	931
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,490)	1,164
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	298	(233)
2.2	Reclassified Through Profit or Loss	-	-
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	-	-
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	505,226	324,707

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS'S EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity		Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
		Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other	Translation differences	Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)				
Reviewed																		
Current Period																		
1 January 2019-30 September 2019																		
I.	Prior Period End Balance	600,000	33,019	-	3,261	-	909	-	-	-	-	606,526	22,030	479,740	-	-	1,745,485	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	600,000	33,019	-	3,261	-	909	-	-	-	-	606,526	22,030	479,740	-	-	1,745,485	
IV.	Total Comprehensive Income	-	-	-	-	-	(1,192)	-	-	-	-	-	-	506,418	-	-	505,226	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes	-	-	-	969	-	-	-	-	-	-	-	-	-	-	-	969	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	426,770	(22,030)	(479,740)	-	-	(75,000)	
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(75,000)	-	-	-	(75,000)	
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	426,770	(426,770)	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	479,740	(479,740)	-	-	-	
Period-End Balance (III+IV+...+X+XI)		600,000	33,019	-	4,230	-	(283)	-	-	-	-	1,033,296	-	506,418	-	-	2,176,680	

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS'S EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity		Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							Total Equity Except from Minority Interest			Total Shareholders' Equity
		Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other	Translation differences	Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)					
Reviewed																			
Prior Period																			
1 January 2018-30 September 2018																			
I.	Prior Period End Balance	600,000	33,019	-	2,644	-	-	-	-	-	-	330,817	3,410	276,371	-	-	1,246,261		
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	18,621	-	-	-	18,621		
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	18,621	-	-	-	18,621		
III.	Adjusted Beginning Balance (I+II)	600,000	33,019	-	2,644	-	-	-	-	-	-	330,817	22,031	276,371	-	-	1,264,882		
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	931	-	323,776	-	-	324,707		
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	277,153	(782)	(276,371)	-	-	-		
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	277,153	(277,153)	-	-	-	-		
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	276,371	(276,371)	-	-	-		
Period-End Balance (III+IV+...+X+XI)		600,000	33,019	-	2,644	-	-	-	-	-	-	608,901	21,249	323,776	-	-	1,589,589		

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
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VI. STATEMENT OF CASH FLOWS

		Reviewed	Reviewed
		Current Period	Prior Period
		1 January –	1 January –
Note		30 September 2019	30 September 2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities	463,138	693,782
1.1.1	Interest Received	595,844	453,781
1.1.2	Interest Paid	(158,396)	(101,277)
1.1.3	Dividend Received	37,918	-
1.1.4	Fees and Commissions Received	211,174	158,857
1.1.5	Other Income	21,621	2,960
1.1.6	Collections from Previously Written-off Loans and Other Receivables	-	-
1.1.7	Payments to Personnel and Service Suppliers	(58,123)	(41,048)
1.1.8	Taxes Paid	(157,677)	(75,079)
1.1.9	Other	(29,223)	295,588
1.2	Changes in Operating Assets and Liabilities	2,655,543	1,678,985
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 and Other Financial Institutions	-	-
1.2.3	Net (increase) / decrease in Loans	803	(18,099)
1.2.4	Net (increase) / decrease in Other Assets	(13,644)	84,665
1.2.5	Net increase / (decrease) in Bank Deposits	28,606	(3,253)
1.2.6	Net increase / (decrease) in Other Deposits	-	-
1.2.7	Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss	-	-
1.2.8	Net increase/(decrease) in Funds Borrowed	(548,839)	53,209
1.2.9	Net increase/(decrease) in Payables	-	-
1.2.10	Net increase/(decrease) in Other Liabilities	3,188,617	1,562,463
I.	Net Cash Provided from Banking Operations	3,118,681	2,372,767
B.	CASH FLOWS FROM INVESTING ACTIVITIES	-	-
II.	Net Cash Provided from Investing Activities	(657,367)	(38,942)
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(1,648)	(7,633)
2.4	Disposals of Property and Equipment	-	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	-	(1,250)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	(645,302)	(56,504)
2.8	Sale of Financial Assets Measured at Amortised Cost	-	36,656
2.9	Other	(10,417)	(10,211)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	-	-
III.	Net Cash Provided from Financing Activities	(53,429)	11,458
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 Capital Instruments	-	-
3.4	Dividends Paid	(75,000)	-
3.5	Payments for Leases	(43)	-
3.6	Other	21,614	11,458
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(22,440)	(374,570)
V.	Net Decrease in Cash and Cash Equivalents (I+II+III+IV)	2,385,445	1,970,713
VI.	Cash and Cash Equivalents at Beginning of the Period	11,579,206	10,159,614
VII.	Cash and Cash Equivalents at End of the Period	13,964,651	12,130,327

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

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

Presentation of financial statements

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and “Communiqué Pertaining to Public Disclosure of Risk Management in Banks” amendments to these Communiqués. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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

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

In accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 30673, dated 1 February 2019, prior period financial statements are aligned with latest financial statement format.

The Bank has started to apply TFRS 16 Leases standard (“TFRS 16”) in the accompanying consolidated financial statements starting from 1 January 2019.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these financial statements.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank places its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders’ equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has not any area of operations for which a return is achieved above the average rate of return.

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. The Bank does not engage in derivative or structured products defined as off-balance sheet to provide balance sheet management or to make profit.

The Bank does not have any transactions that cause liability or affect the net asset position negatively in other foreign currency transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

Investments in associates and subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard” (“TAS 27”) and non-financial associates, subsidiaries are stated with their cost values at the financial statements after the provision for impairment deducted.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

Bank’s derivative instruments mainly consist of swap transactions for hedging purposes. The Bank has no derivative financial instruments designated as hedging instruments or embedded derivative financial instruments.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account “Derivative Financial Assets Measured at Fair Value Through Profit and Loss” or “Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income”; if the fair value difference is negative, it is disclosed in “Derivative Financial Liabilities Measured at Fair Value Through Profit and Loss” or “Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income”. Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under “trading income/loss” item in the income statement.

V. Explanations on Derivative Instruments for Hedging Purpose

The Bank performs cross currency swap transactions in order to avoid changes in the fair value of fixed-rate financial instruments.

VI. Explanations on Interest Income and Expenses

Interest is recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

VII. Explanations on Fees and Commission Income and Expenses

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the BİST and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services. On these operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

VIII. Explanations and Disclosures on Financial Assets

The Bank recognizes its financial assets as “Fair Value Through Profit or Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments. The Bank recognizes a financial asset or financial liability on its balance sheet only when it is party to the contractual provisions of the financial lease. The Bank derecognizes a financial asset only when the contractual rights to cash flows from the financial asset have expired or the financial assets have been transferred and the conditions for derecognition have been met. A financial liability (or part of a financial liability) is only recognized when the liability has expired; in other words, it is removed from the statement of financial position when the obligation specified in the contract is fulfilled, canceled or time out.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Explanations and Disclosures on Financial Assets (Continued)

The Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost” based on the matters below:

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

When the business model determined by the Bank management is changed, all financial assets affected by this change are reclassified. Reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, there no adjustment to earnings, losses (including impairment gain or loss) or interest received previously in the financial statements is made.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

b. Financial assets at fair value through other comprehensive income

Financial assets are classified as fair value through other comprehensive income if the assets are being held in line with a business model that aims collection of contractual cash flows or sale of assets and additionally if the contractual terms of the financial asset lead to cash flows that solely include the payments of principal and interest on certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

c. Financial Assets Measured at Amortised 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 acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Explanations and Disclosures on Financial Assets (Continued)

d. Loans

Loans are financial assets which have fixed payment terms and are not traded in an active market.

The Bank provides cash loans to the brokerage houses at maximum one month maturity however mostly overnight maturity in order to provide efficiency and convenience in capital market transactions within the limits determined by the Board of Directors. Cash loans are classified under the heading “financial assets measured at amortized cost” in the context of “being held for the purpose of obtaining contractual cash flows” and “contractual cash flows representing interest only on principal and principal balance” criteria.

Loans recognized at cost and are valued at amortized cost using the effective interest method.

Explanations on the Impairment of Financial Assets Recognition of Financial Statements of Expected Credit Losses

In accordance with the “Regulation on Procedures and Principles for the Classification of Loans and Provisions to be Issued” published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank calculates the expected credit loss provision in accordance with TFRS 9 and indicates in its financial statements. Expected credit losses related to cash and cash equivalents under financial assets, other receivables, loans and non-cash loans are calculated and accounted.

Provisions provided by the Bank under TFRS 9; the expected credit loss provision amounts for 12 months and the expected credit loss provision amounts due to a significant increase in the credit risk of the borrower and the expected lifetime credit loss provisions for the default of the debts are considered as special provisions.

For non-impaired financial assets, the expected credit loss provision for twelve months is calculated and set aside for the initial recognition stage. For these financial assets, effective interest rate is used over the gross book value.

Although not available for the reporting period, the expected lifetime credit loss is calculated and set aside for non-impaired financial assets that have significant increase in credit risk after initial recognition. For these financial assets, effective interest rate is used over the gross book value.

The expected lifetime credit loss provision is calculated and set aside for financial assets that are purchased or created with impaired loans. For these financial assets, effective interest rate is applied through net book value.

The definition of default is included in the Communiqué on the calculation of the credit risk amount based on the internal rating approach. It is assumed that the debtor defaults in the event that the debtor is unable to fully pay the debts to the Bank without applying for collateral or if the debtor has delayed more than 90 days to fulfill his significant liabilities to the Bank.

Expected credit losses for financial assets, other receivables and loans under the title Cash and cash equivalents are recognized under “Expected loss reserves (-)” on the asset side of the balance sheet. The total provision for credit losses under TFRS 9 is classified under “12 Months Expected Loss Equivalent- (First Stage)”. There is no allowance for credit losses classified under “Significant Increase in Credit Risk (Second Stage)”.

The expected credit loss provisions calculated for the transactions classified as non-cash loans due to the market where the Bank is the Central Opposite Party and the guarantor are listed under the “Other Provisions” heading on the liabilities of the balance sheet.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Explanations and Disclosures on Financial Assets (Continued)

d. Loans (Continued)

The basic principles for calculating the Bank “Expected credit loss provisions” are as follows:

- Information considered in the expected credit loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions for expected credit losses.
- Provision for loans can be higher than their loan-based counterparts, taking into account the size, type, currency, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the bank’s credit risk management.
- The information used should include the borrower-specific factors, the general economic conditions and the assessment of the effects of these factors and circumstances at the reporting date on the current and future periods. Potential sources of information include the Bank’s credit disposal experience, internal or external credit ratings, reports and statistics.
- If the financial instrument is determined to have low credit risk at the reporting date, the Bank may assume that the credit risk in the financial instrument has not increased substantially since the first time it was recognized.

IX. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has suffered an impairment and whether it meets the classification requirements in accordance with TFRS 9. The Bank determines the amount of the impairment if such indicator exist as mentioned. Related accounting policy is explained in footnote VIII.

X. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The Bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under “Receivables from Reverse Repurchase Agreements” account in the balance sheet. The difference between purchase and sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. Explanations on Assets Held for Sale and Discontinued Operations

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets). A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

A discontinued operation is a part of a bank classified as held for sale or held for sale. The results of discontinued operations are presented separately in statement of profit or loss.

The Bank has no assets held for sale as of the balance sheet date. The Bank has no discontinued operations during the period.

XIII. Explanations on Goodwill and Other Intangible Assets

As of the balance sheet date, there is no goodwill in the accompanying un-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over five years and depreciation rate is proportional with period for those with certain leasing period. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards-TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

Within the scope of the agreement made between Borsa İstanbul and NASDAQ, new BISTECH technology, which was developed under Borsa İstanbul's processing system; data distribution; index calculation; market surveillance; reporting systems; and also the Bank's swap and risk management systems, has a useful life of 20 years.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Assets

Tangible fixed assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible fixed assets are depreciated with straight-line method. Tangible fixed assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16 - Tangible Assets" released by Turkish Accounting Standards Board. Depreciation Rates for Tangible Fixed Assets are as following:

	Estimated Useful Life (Year)	Depreciation Rate
Buildings	50	2%
Furniture, Fixture and Office Equipment	4 - 15	6,67-25%
Other Tangible Fixed Assets	2 - 16	6,67-50%

Tangible fixed assets are accounted for at cost less accumulated depreciation and impairment, if any.

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.

XV. Explanations on Leasing Transactions

The Bank measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date lease is actually started, in accordance with TFRS 16. Lease payments are discounted by using the Bank's alternative incremental borrowing rate.

After the date lease actually started, the Bank increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability.

After the date lease actually started, net book value of lease liability is increased by reflecting the interest on lease liability, decreased by reflecting lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The Bank applies a discount rate that reflects the changes in the interest rate in a scenario where the Bank used purchase option at the initial lease term.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Explanations on Provisions and Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions on financial statements, if 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 estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the fair value where the effect is material.

XVII. Explanations on Liabilities Regarding Employee Benefits

Obligations related to employment termination and vacation rights “Turkey Accounting Standards Regarding Employee Benefits” (“TAS 19”) are accounted for in accordance with the provisions.

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No: 19 “Turkish Accounting Standard on Employee Benefits”.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 30 September 2019 is TL 7,565 (31 December 2018: TL 5,640).

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January – 30 September 2019, actuarial loss after deferred tax effect amounting to TL 1,490 (31 December 2018: TL 103 actuarial loss) was classified as “Other Capital Reserves”.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized as taxable profit.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted off.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298. Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

Current Tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, council of ministers has the authority to decrease this ratio to 20% from 22%. The Bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.f. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which were not accrued on time because of the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

XIX. Additional Explanations on Funds Borrowed

The Bank has not issued any convertible bonds.

The Bank has not also issued any borrowing instruments.

Cash Warrants Received

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Warrant Deputy (OPIC), BİAŞ Money Market and Precious Metals Market, BİAŞ Swap Market, cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

XX. Explanations on Issuance of Equity Securities

The Bank does not have any shares issued in the current period.

XXI. Explanations on Acceptances

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

XXII. Explanations on Government Incentives

There are no government incentives utilized by the Bank as of the balance sheet date.

XXIII. Explanations on Segment Reporting

Operational segment is distinguishable section of the Bank that has different characteristics from other operational segments per earning and conducts the presentation of service group, associated bank products or a unique product. Reporting on operating segments is disclosed in Note VIII in Section Four.

XXIV. Related Parties

For the purpose of these financial statements, shareholders, key management personnel and board members associated with companies controlled by their families and themselves or affiliated companies, associates and joint ventures are referred to as related parties in accordance with TAS 24 - Related Party Disclosures.

XXV. Cash and Cash Equivalents

For the purposes of the preparation of statement of cash flows, "Cash" includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. Investment Properties

Investment property consist of the asset that held to earn rentals and/or for capital appreciation and recognized with cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Investment properties are recognized at its cost less any accumulated depreciation. Investment property is amortized by normal depreciation method and useful life basis. Gains and losses arising from disposal of an investment property or removal of a tangible asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are included in the income statement.

XXVII. Reclassifications

Some reclassifications were made on statement of financial position dated 31 December 2018 and profit or loss statement, profit or loss and other comprehensive income statement, statement of changes in shareholders' equity and cash flow dated 30 September 2018 to be in compliance with the presentation of financial statements dated 30 September 2019.

Explanations on TFRS 16 Leases standards

The Bank has put TFRS 16 Leases standard into use starting from January 2019 for operational leasing transactions that the Bank is a counterparty. For the transactions the Bank is lessee, the Bank used the model the standard projects except for the low value assets and short term leasings (1 year or less).

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the present accounting of finance leases which is balance sheet based, singular accounting model. Standard brought a single model for lease accounting to lessees. The bank as a lessee, has shown right of use assets representing right of use of underlying assets and lease payment which the Bank is liable, in its financial tables. For lessors, the accounting stays almost the same.

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, the Bank did not restate comparative information.

The Bank recognizes a lease liability and a right-of-use asset at the date of initial application TFRS 16 for leases previously classified as an operating lease applying TAS 17. The Bank measures that lease liability by the present value of the remaining lease payments, discounted using the Bank's alternative borrowing rate at the date of initial application. Besides, the bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

TFRS 16 Leases standard transition effect

The following table shows the classification and adjustment records for the first application of TFRS 16 Leases Standard as of 1 January 2019.

	31 December 2018	TFRS 16 Transition Effect	1 January 2019
Property and Equipment (Net) ⁽¹⁾	11,847	149	11,996
Other Assets (Net)	46,528	(149)	46,379
Lease Payables (Net) ⁽¹⁾⁽²⁾	-	-	-

⁽¹⁾ For leases classified as operating leases in accordance with TAS 17, TL 149 thousand lease liabilities and right-of-use assets amount has been reflected to financial statements as of 1 January 2019 in accordance with TFRS 16.

⁽²⁾ As of 1 January 2019, the weighted average of the alternative funding interest rates applied to TL lease liabilities are 23.4%.

XXVIII. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks".

The Bank's current period equity capital is TL 2,083,627 (31 December 2018: TL 1,638,088), capital adequacy standard ratio is 25.51% (31 December 2018: 19.54%). The Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

Summary information related to the capital shareholders' equity:

	Current Period	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	600,000	
Share issue premiums	33,019	
Reserves	1,037,526	
Gains recognized in equity as per TAS	-	
Profit	506,418	
Current Period Profit	506,418	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2,176,963	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	283	
Improvement costs for operating leasing	58	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	104,629	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	4,825	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	109,795	
Total Common Equity Tier 1 Capital	2,067,168	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA (-)	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	2,067,168	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	16,459	
Tier II Capital Before Deductions	16,459	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	16,459	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,083,627	
Deductions from Total Capital	2,083,627	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,083,627	
Total risk weighted amounts	8,169,111	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	25.31	
Tier 1 Capital Adequacy Ratio (%)	25.31	
Capital Adequacy Ratio (%)	25.51	
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.5	
a) Capital conservation buffer requirement (%)	2.5	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio		
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Remaining Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	16,459	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	16,459	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ "The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014⁽¹⁾
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	600,000	
Share Premium	33,019	
Reserves	610,696	
Gains Recognized in Equity as per TAS	-	
Profit	501,770	
Current Period Profit	479,740	
Prior Period Profit	22,030	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier 1 Capital Before Deductions	1,745,485	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases	75	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights	102,497	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences net of related tax liability	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law Article 56 4th paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital amount above 10% threshold	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions amount above 10% threshold of Tier 1 Capital	-	
Mortgage servicing rights amount above 10% threshold of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences amount above 10% threshold, net of related tax liability	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks 2nd article temporary second paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity amount above 10% threshold	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	4,825	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	107,397	
Total Common Equity Tier 1 Capital	1,638,088	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Amount related to treatment before 1/1/2014 ⁽¹⁾
Prior Period	
Additional Tier 1 Capital	-
Preferred Stock not Included in Common Equity and the Related Share Premiums	-
Debt instruments and premiums approved by BRSA	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
Additional Tier 1 Capital before deductions	-
Deductions from Additional Tier 1 Capital	-
Bank's direct or indirect investment on its own Tier 1 Capital	-
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 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 Common Equity Tier 1 Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other Items Determined by BRSA	-
Items to be deducted from Tier I Capital during the Transition Period	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	1,638,088
Tier 2 Capital	-
Debt instruments and premiums approved by BRSA	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	-
Tier 2 Capital Before Deductions	-
Deductions From Tier 2 Capital	-
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with 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 Common Equity Tier 1 Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Total Tier 2 Capital	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Total Capital (The sum of Tier 1 and Tier 2 Capital)	1,638,088	
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	1,638,088	
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	-	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Total Capital		
Total Capital (Sum of Tier 1 and Additional Tier1)	1,638,088	
Total Risk Weighted Assets	8,382,861	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	19.54	
Tier 1 Capital Adequacy Ratio (%)	19.54	
Capital Adequacy Ratio (%)	19.54	
Buffers		
Total buffer requirement (a+b+c)	1.875	
a) Capital conservation buffer requirement (%)	1.875	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

⁽¹⁾ The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the provisional articles of the "Regulation on Shareholders' Equity of Banks".

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information on addition debt instruments to shareholders' equity calculating:

None.

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

The evaluation period for internal capital adequacy in the Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014.

The Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements. In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to ISEDES and stress test reports. Within this scope, activities performed and services provided by the Bank are considered.

The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations. Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

The Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. However, the legal capital adequacy ratio determined by the BRSA as at least 12% and the ratio of the internal capital requirement calculated under the stress test are compared. The larger of these ratios is considered as the target ratio and it is evaluated whether the current capital adequacy ratio of the Bank is above the target rate.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Unit. These reports are approved by the Board of Management or the Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Unit, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Unit.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Currency Risk

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, Debt Securities Market, Electricity Market, Precious Metals Market, BİAŞ Money Market, Share Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of brokerage firms, banks and other financial institutions except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

The Bank calculated a net long foreign exchange of TL 40,097 (31 December 2018: TL 15,935) for the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

Recognizing FX transactions of the Bank, the risk management policy that is also regarded in TL transactions is used and asset liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank's foreign CBRT exchange bid rates as of the date of the financial statements and five working days prior to that date:

Current Period	1 USD	1 EUR	1 GBP	100 JPY
Current Exchange Rate on Balance Sheet Date	5.6591	6.1836	6.9487	5.2294
1 st Business Day's Current Exchange Rate	5.6659	6.1982	6.9793	5.2516
2 nd Business Day's Current Exchange Rate	5.6882	6.2544	7.0589	5.2866
3 rd Business Day's Current Exchange Rate	5.6743	6.2381	7.0481	5.2584
4 th Business Day's Current Exchange Rate	5.7183	6.2819	7.0991	5.3065
5 th Business Day's Current Exchange Rate	5.6889	6.2847	7.1166	5.2577
Simple arithmetic averages for last 30 days	5.7128	6.2936	7.0365	5.3091

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EURO	USD	Other	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with The Central Bank of the Republic of Turkey	-	-	-	-
Banks	2,295,827	2,385,437	2,923	4,684,187
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	661	-	-	661
Loans	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Financial assets measured at amortised cost	371,418	55,752	-	427,170
Hedging derivative financial assets	-	-	-	-
Tangible assets	35	-	-	35
Intangible assets	-	-	-	-
Other assets	173	861	-	1,034
Total Assets	2,668,114	2,442,050	2,923	5,113,087
Liabilities				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	1,050,594	1,073,024	-	2,123,618
Securities issued	-	-	-	-
Funds	1,231,881	1,372,825	1,911	2,606,617
Hedging derivative financial liabilities	-	-	-	-
Other liabilities	35	-	-	35
Total Liabilities	2,282,510	2,445,849	1,911	4,730,270
Net Balance Sheet Position	385,604	(3,799)	1,012	382,817
Net Off-Balance Sheet Position	371,016	28,296	-	399,312
Financial derivative assets	-	28,296	-	28,296
Financial derivative liabilities	371,016	-	-	371,016
Non-cash loans	-	-	-	-
Prior Period				
Total assets	1,796,951	2,801,596	4,788	4,603,335
Total liabilities	1,793,532	2,790,080	3,788	4,587,400
Net Balance Sheet Position	3,419	11,516	1,000	15,935
Net Off-Balance Sheet Position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyses. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in "Treasury Transaction Limits".

Other than securities guaranteed or issued by the Turkish Treasury, the Bank includes Government Debt Securities and debt securities issued by public banks in its portfolio during the year 2019. The Bank does not undertake any liability due to using derivative financial instruments attributable to its transactions in evaluating its funding resources.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates):

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing⁽²⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	1,579	1,579
Banks	13,259,582	471,361	-	-	-	219,240	13,950,183
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	42,019	-	-	-	-	-	42,019
Financial assets at fair value through other comprehensive income	-	-	-	-	-	3,082	3,082
Loans	30,126	-	-	-	-	(1,611)	28,515
Financial assets measured at amortised cost	-	6,228	647,012	-	-	(88)	653,152
Other assets ⁽¹⁾	71,672	-	-	-	-	128,131	199,803
Total Assets	13,403,399	477,589	647,012	-	-	350,333	14,878,333
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	2,963,965	-	-	-	-	6,751,713	9,715,678
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	2,874,861	-	-	-	-	19	2,874,880
Other liabilities ⁽²⁾	-	-	-	-	-	2,287,775	2,287,775
Total Liabilities	5,838,826	-	-	-	-	9,039,507	14,878,333
Balance sheet long position	7,564,573	477,589	647,012	-	-	-	8,689,174
Balance sheet short position	-	-	-	-	-	(8,689,174)	(8,689,174)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
Total Position	7,564,573	477,589	647,012	-	-	(8,689,174)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

⁽²⁾ Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

End of Previous Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽²⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	78,914	-	-	-	-	123	79,037
Banks	10,257,108	532,911	-	-	-	94,819	10,884,838
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	645,263	-	-	-	-	-	645,263
Financial assets available-for-sale	-	-	-	-	-	3,082	3,082
Loans	14,800	-	-	-	-	(20)	14,780
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets ⁽¹⁾	63	-	-	-	-	168,120	168,183
Total Assets	10,996,148	532,911	-	-	-	266,124	11,795,183
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	1,888,084	-	-	-	-	4,609,494	6,497,578
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	3,424,978	-	-	-	-	436	3,425,414
Other liabilities ⁽¹⁾	-	-	-	-	-	1,872,191	1,872,191
Total Liabilities	5,313,062	-	-	-	-	6,482,121	11,795,183
Balance sheet long position	5,683,086	532,911	-	-	-	-	6,215,997
Balance sheet short position	-	-	-	-	-	(6,215,997)	(6,215,997)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
Net Position	5,683,086	532,911	-	-	-	(6,215,997)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

⁽²⁾ Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

Other Assets	Current Period	Prior Period
Intangible assets	104,630	102,497
Custody services commission rediscount	71,849	14,407
Miscellaneous receivables	(8,394)	5,171
Tangible assets	10,229	11,847
Investment properties	8,957	9,187
Temporary accounts	7,622	11,493
Subsidiaries	4,825	4,825
Deferred tax asset	-	8,662
Stationary supplies	85	94
Total	199,803	168,183
Other Liabilities	Current Period	Prior Period
Shareholder's equity	2,176,680	1,745,485
Current tax liability	54,792	50,620
Provisions	55,851	76,086
Lease liabilities	452	-
Total	2,287,775	1,872,191

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments (%):

Current Period End Balance	EUR	USD	JPY	TL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks	0.90	2.90	-	15.64
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	12.75
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans	-	-	-	16.55
Financial assets measured at amortized cost	2.20	10.02	-	23.37
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	1.95
Funds	-	-	-	15.33
Securities issued	-	-	-	-
Funds borrowed	0.01	1.96	-	15.15
Prior Period End Balance	EUR	USD	JPY	TL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	2.50	-	-
Due from other banks	2.99	5.51	-	24.28
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	20.40
Financial assets available-for-sale	-	-	-	-
Loans	-	-	-	24.90
Financial assets measured at amortized cost	-	-	-	-
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	23.27
Securities issued	-	-	-	-
Funds borrowed	0.12	2.40	-	23.40

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Equity share position risk in banking accounts

As of 30 September 2019, the Bank has no equity share position risk arising from the equity share and banking accounts (31 December 2018: None).

V. Explanations Related to Liquidity Risk

The Bank pays attention to work under guarantees and committed to keeping most of its TL funds in liquid to meet the risks arising from transactions with Takasbank Money Market, Debt Securities Market, Futures and Options Market, Securities Lending Market, BIST Money Market, Share Market, BİAŞ Swap Market and other transactions.

The Bank's main liquidity management strategy is effectively handling of all Money Market Instruments and this instruments' potential risks have influence upon the Bank's balance sheet. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and the compliance of these transactions with limit conditions are controlled by the Internal Control and Legal Compliance Unit periodically.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by internal and external resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its equities and members' free accounts, BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, BİAŞ Swap Market, Borsa Istanbul Money Market, Precious Metals Market, Leveraged call-put transactions, Warrant Deputy (OPIC) are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

According to the fourth paragraph of Article 4 of the Regulation on the Calculation of Liquidity Coverage Rate of Banks, consolidated and unconsolidated total liquidity coverage ratio cannot be lower than 100 percent and consolidated and unconsolidated total liquidity coverage ratio in foreign currency cannot be lower than 80 percent and in accordance with Provisional Article I of the Regulation, the total and foreign currency liquidity coverage rates to be applied until 1 January 2019 are governed by the Board of Directors, with the appropriate opinion of the Central Bank of the Republic of Turkey.

According to the Decree of the Banking Regulation and Supervision Board dated 24 December 2015 and numbered 6613, for development and investment banks, it has been decided to apply the total and foreign currency liquidity adequacy ratios related to the first and second maturity brackets according to the first paragraph of Article 13 of the Regulation Regarding the Measurement and Evaluation of Banking Liquidity Adequacy and to continue to report to the Authority.

According to the fifth section of Article 4 of the Regulation on the Calculation of Liquidity Cover Ratio of Banks, it was decided that the ratio of consolidated and unconsolidated total and foreign currency liquidity coverage ratios shall be zero percentage.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistributed⁽¹⁾	Total
Assets								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1,579	-	-	-	-	-	-	1,579
Banks	219,240	13,259,582	471,361	-	-	-	-	13,950,183
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Money market placements	-	42,019	-	-	-	-	-	42,019
Fair value with changes in other comprehensive income	3,082	-	-	-	-	-	-	3,082
Loans	(1,611)	30,126	-	-	-	-	-	28,515
Financial assets measured at amortized cost	(88)	-	6,228	647,012	-	-	-	653,152
Other assets ⁽¹⁾	-	71,672	-	-	-	-	128,131	199,803
Total Assets	222,202	13,403,399	477,589	647,012	-	-	128,131	14,878,333
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed	-	2,874,861	-	-	-	-	19	2,874,880
Money market borrowings	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Funds	6,751,713	2,963,965	-	-	-	-	-	9,715,678
Other liabilities	452	15,737	33,435	16,372	-	-	2,221,779	2,287,775
Total Liabilities	6,752,165	5,854,563	33,435	16,372	-	-	2,221,798	14,878,333
Current Period Liquidity (Gap)/surplus	(6,529,963)	7,548,836	444,154	630,640	-	-	(2,093,667)	-
Prior Period								
Total assets	98,024	10,996,128	532,911	-	-	-	168,120	11,795,183
Total liabilities	4,609,494	5,323,170	-	55,813	-	-	1,806,706	11,795,183
Liquidity Gap	(4,511,470)	5,672,958	532,911	(55,813)	-	-	(1,638,586)	-

⁽¹⁾ Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

Securitization positions:

The Bank does not apply securitisation as of 30 September 2019 (31 December 2018: None).

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Leverage Ratio:

a) Information on issues that cause differences between current period and previous period leverage ratios:

The leverage ratio calculated by the Bank in accordance with the “Regulation on Measurement and Assessment of Leverage of Banks” is 5.83% (31 December 2018: 5.43%). This ratio is above the minimum ratio and the regulation stipulates the minimum leverage ratio as 3%. The increase in the off-balance sheet transactions is the main reason for the change in the leverage ratio compared to the previous period.

b) Leverage ratio:

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Assets on the balance sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	15,959,363	12,333,588
(Assets deducted from core capital)	(109,588)	(107,230)
Total risk amount for assets on the balance sheet	15,849,775	12,226,358
Derivative financial instruments and credit derivatives		
Renewal cost of derivative financial instruments and loan derivatives	864,095	-
Potential credit risk amount of derivative financial instruments and loan derivatives	-	-
Total risk amount of derivative financial instruments and loan derivatives	864,095	-
Financing transactions with securities or goods warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
Off-the-balance sheet transactions		
Gross nominal amount of the off-balance sheet transactions	17,890,282	17,034,042
(Adjustment amount arising from multiplying by the credit conversion rate)	-	-
Total risk amount for off-balance sheet transactions	17,890,282	17,034,042
Capital and total risk		
Tier 1 capital	2,016,881	1,588,083
Total risk amount	34,604,152	29,260,400
Leverage ratio		
Leverage ratio (%)	5.83%	5.43%

⁽¹⁾ The amounts in the table are calculated by using the quarterly average amounts.

VII. Risk management objectives and policies

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ISEDES) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ISEDES, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA and below the risk appetite confirmed by the Board of Directors.

The risk capacity of the Bank is decided in accordance with its capital adequacy policy. When doing capital and liquidity planning, the current and under-stress liquidity requirements of the Bank as well as its risk appetite and capacity, are considered together.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Risk management objectives and policies (Continued)

The footnotes and related explanations prepared in accordance with the Communiqué on “Public Disclosures related with Banks’ Risk Management Regulations” published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 31 March 2016 are given in this section. The following tables, which should be given in quarterly periods in accordance with the related communiqué, have not been presented as of 30 September 2019 as the standard approach is used in the calculation of Bank’s capital adequacy.

- The Change Table of Risk Weighted Assets (RWA) under the Internal Grading Based (IGB) approach
- RWA changes for Counterparty Credit Risk under the Internal Capital Method
- The market risk RWA change table, according to the internal model approach

a) Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk)	7,108,104	7,669,555	568,648
Standardised approach	7,108,104	7,669,555	568,648
Internal rating-based approach			
Counterparty credit risk	27,788	5	2,223
Standardised approach for counterparty credit risk	27,788	5	2,223
Internal model method			
Basic risk weight approach to internal models equity position in the banking account	-	-	-
Investments made in collective investment companies-look through approach	-	-	-
Investments made in collective investment companies-mandate-based approach	-	-	-
Investments made in collective investment companies-1250% weighted risk approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	40,100	15,938	3,208
Standardised approach	40,100	15,938	3,208
Internal model approaches	-	-	-
Operational risk	993,119	697,363	79,450
Basic Indicator approach	993,119	697,363	79,450
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	8,169,111	8,382,861	653,529

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations on Segment Reporting

The Bank operates mainly in clearing-operation, custody, loans and treasury.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	7,347	439,738	-	447,085
Net fees and commissions income and other operating income	182,028	26,111	-	-	208,139
Dividend income	-	-	37,918	-	37,918
Trading profit/loss	-	-	49,518	-	49,518
Other operating receivables	-	-	-	21,621	21,621
Impairment provision for loans and other receivables	-	3,110	-	-	3,110
Other operating expenses ⁽¹⁾	-	-	-	(124,531)	(124,531)
Profit before taxes	182,028	30,348	527,174	(102,910)	636,640
Tax provision	-	-	-	(130,222)	(130,222)
Net profit for the period	182,028	30,348	527,174	(233,132)	506,418

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	13,640	338,676	-	352,316
Net fees and commissions income and other operating income	116,601	39,447	-	-	156,048
Dividend income	-	-	-	-	-
Trading profit/loss	-	-	10,907	-	10,907
Other operating receivables	-	-	-	2,960	2,960
Impairment provision for loans and other receivables	-	16,889	-	-	16,889
Other operating expenses	-	-	-	(91,760)	(91,760)
Profit before taxes	116,601	36,198	349,583	(88,800)	413,582
Tax provision	-	-	-	(89,806)	(89,806)
Net profit for the period	116,601	36,198	349,583	(178,606)	323,776

⁽¹⁾ Personnel expenses are included in the other operating expenses.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets

1. Information on Cash and Balances with the Central Bank of Turkey:

1.a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	1,504	-	63	78,914
Cash/foreign currency	75	-	60	-
Other	-	-	-	-
Total	1,579	-	123	78,914

1.b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	1,504	-	63	-
Unrestricted time deposit	-	-	-	78,914
Restricted time deposit	-	-	-	-
Total	1,504	-	63	78,914

1.c.) Information on required reserves:

In accordance with the Official Statement numbered 2013/15 about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in the Bank.

2. Information on financial assets at fair value through profit and loss (net):

2.a) Information on government debt securities: None (31 December 2018: None).

2.b) Information on marketable securities representing the Bank's share: None (31 December 2018: None).

2.c) Information on other financial assets: None (31 December 2018: None).

3. Information on Banks

3.a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	9,265,996	4,465,750	6,362,584	4,428,698
Foreign	-	218,437	-	93,556
Branches and overseas head office	-	-	-	-
Total	9,265,996	4,684,187	6,362,584	4,522,254

3.b) Information on receivables from money markets

The details about the receivables from Money Markets are as below:

	Current Period	Prior Period
Reverse repo belongs to closed member cash balance	42,019	19,554
Receivables from Central Bank	-	625,709
Total	42,019	645,263

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

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

4.a) Information on equity instruments:

Name	Current Period			Prior Period	
	Acquired On	Amount	Ratio (%)	Amount	Ratio (%)
S.W.I.F.T.SCRL	24.04.2009	339	0.02	339	0.02
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	03.01.2011	637	4.12	637	4.12
SASE - Sarajevo Menkul Kıymetler Borsası	18.05.2011	322	5.00	322	5.00
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29.07.2011	210	10.50	210	10.50
Borsa İstanbul A.Ş.	31.05.2013	324	0.15	324	0.15
Türkiye Ürün İhtisas Borsası A.Ş. (Tübaş)	25.07.2018	1,250	5.00	1,250	5.00
Total		3,082		3,082	
Current Period			Prior Period		
Debt securities		-		-	
<i>Quoted on a stock exchange</i>		-		-	
<i>Not quoted on a stock exchange</i>		-		-	
Share certificates		3,082		3,082	
<i>Quoted on a stock exchange</i>		-		-	
<i>Not quoted on a stock exchange</i>		3,082		3,082	
Impairment provision(-)		-		-	
Total		3,082		3,082	

5. Information on derivative financial assets:

a) i. Information on derivative financial assets at fair value through profit or loss:

	Current Period		Prior Period	
	TR	FC	TR	FC
Swap transactions	51,860	-	-	-
Total	51,860	-	-	-

a) ii. Information on derivative financial assets at fair value through other comprehensive income: None (31 December 2018: None).

6. Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	21,779	3,755,617	16,374	1,859,319
<i>Corporate shareholders</i>	21,779	3,755,617	16,374	1,859,319
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
Total	21,779	3,755,617	16,374	1,859,319

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued)

b) Information on loans with standard qualifications and close monitoring followed by restructured loans:

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	Refinanced
Current Period		Revised Contract Terms		
Non-specialized loans	30,126	-	-	-
Business loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	30,126	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	30,126	-	-	-

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans (Total)	Revised contract terms	Loans (Total)	Revised contract terms
Prior Period		Restructure for extending the payment plan	Restructure for extending the payment plan	Restructure for extending the payment plan
Non-specialized loans	16,374	-	-	-
Working capital loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	16,374	-	-	-
Foreign loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metal credit	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	16,374	-	-	-

c) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards: None (31 December 2018: None).

d) Information on commercial loans with instalments and corporate credit cards:
None (31 December 2018: None).

e) Loans according to borrowers:

	Current Period	Prior Period
Private	30,126	16,374
Public	-	-
Total	30,126	16,374

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	30,126	16,374
Foreign loans	-	-
Total	30,126	16,374

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

g) Loans granted to subsidiaries and associates: None (31 December 2018: None).

h) Information on non-performing loans (Net):

	Current Period	Prior Period
Uncollectable loans and receivables	1,574	1,574
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
Total	1,574	1,574

i.) Information on non-performing loans (Net) (Continued):

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:
None (31 December 2018: None).

i.2) Information on movement of non-performing loans:

	Group III Loans and Receivables With Limited Collectability	Group IV Loans and Receivables With Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Given			
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	1,574
Provision (-)	-	-	1,574
Net Balances on Balance Sheet	-	-	-

	Group III Loans and Receivables With Limited Collectability	Group IV Loans and Receivables With Doubtful Collectability	Group V Uncollectible Loans and Receivables
Prior period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	1,574
Specific provision (-)	-	-	1,574
Net Balances on Balance Sheet	-	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

i) Information on non-performing loans (Net) (Continued):

i.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2018: None).

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Current period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Provision amount (-)	-	-	1,574
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Provision amount (-)	-	-	1,574
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-

	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Specific provision amount (-)	-	-	1,574
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Specific provision amount (-)	-	-	1,574
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

j) Expected loss provision:

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month expected credit losses	125	-	20	-
Significant increase in credit risk	-	-	-	-
Total	125	-	20	-

k) Information on write-off policy: Not prepared according to the 25th provisional clause of “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”.

7. Information on financial assets measured at amortised cost:

7.a) i. Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	597,488	-
Treasury bills	55,752	-
Other public sector debt instruments	-	-
Total	653,240	-

7.a) ii. Information on government debt instruments:

	Current Period	Prior Period
Debt securities	653,240	-
<i>Quoted on a stock exchange</i>	653,240	-
<i>Not quoted on a stock exchange</i>	-	-
Impairment provision (-)	-	-
Total	653,240	-

7.a) iii. Movement of financial assets measured at amortised cost:

	Current Period	Prior Period
Beginning balance	-	36,947
Foreign currency differences on monetary assets	-	-
Purchases during year	645,302	56,504
Disposals through sales and redemptions ⁽¹⁾	-	(91,502)
Impairment provision (-)	-	-
Effect of valuation ⁽²⁾	7,938	(1,949)
Closing Balance	653,240	-

⁽¹⁾ All of disposals through sales and redemptions amount is from redemptions.

⁽²⁾ Includes interest accruals change.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

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

7.b) Information on expected credit loss provisions for financial assets

	Current Period	Prior Period
Treasury loans	18,216	14,840
Miscellaneous receivables	153	523
Total	18,369	15,363

7.c) Information on other financial assets: None. (31 December 2018: None).

8. Information on investments in associates (Net):

8.a) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2018: None).

8.b) Information on the unconsolidated associates: None (31 December 2018: None).

8.c) Explanations of consolidated associates: None (31 December 2018: None).

8.d) Information on sector information on consolidated associates: None (31 December 2018: None).

8.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2018: None).

9. Information on subsidiaries (Net):

9.a) Information on the unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank risk group's share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	Istanbul / Türkiye	28.57	65

Total Assets ⁽¹⁾	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profits / Losses	Fair Value
147,647	110,557	26,713	13,012	4,549	29,143	31,364	-

⁽¹⁾ Current period financial statements are obtained from unreviewed financial statements prepared as of 30 September 2019 in accordance with the TAS.

9.b) Information on the consolidated subsidiaries:

i. Information on the consolidated subsidiaries: None (31 December 2018: None).

ii. Information on movement of consolidated subsidiaries: None (31 December 2018: None).

iii. Sectorial information on the consolidated subsidiaries: None (31 December 2018: None).

iv. Consolidated subsidiaries quoted on the stock exchange: None (31 December 2018: None).

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I. Explanations Related to the Assets (Continued)

10. Information on entities under common control (joint ventures): None (31 December 2018: None).

11. Information on finance lease receivables (Net): None (31 December 2018: None).

12. Information on investment property:

As of 30 September 2019, the Bank's investment property amounting to TL 8,957 (31 December 2018: TL 9,187).

13. Information on assets held for sale and discontinued operations:

None (31 December 2018: None).

14. Explanations on deferred tax asset:

Deferred tax assets and liabilities are netted off as deferred tax liability in the balance sheet liabilities and explanations on deferred tax asset / liability for the current and previous period are given in Note 6 of Section Five.

15. Information on other assets:

Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Allocation of other assets:

	Current Period	Prior Period
Custody and fee accruals	19,989	14,407
VIOP guarantees	8,609	18,954
Prepaid expenses	7,622	11,360
Cash guarantees given	207	57
Stationary supplies	85	94
Other	1,159	1,656
Total	37,671	46,528

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities

1. Information on derivative financial liabilities:

- a) i. Information on derivative financial liabilities at fair value through profit or loss: None (31 December 2018: None).
a) ii. Derivative financial liabilities at fair value through other comprehensive income: None (31 December 2018: None).

2. Information on funds borrowed:

- a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From domestic banks and institutions	751,262	2,123,618	652,957	2,772,457
From foreign banks, institutions and funds	-	-	-	-
Total	751,262	2,123,618	652,957	2,772,457

- b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	751,262	2,123,618	652,957	2,772,457
Medium and long-term	-	-	-	-
Total	751,262	2,123,618	652,957	2,772,457

- c) Additional explanation related to the concentrations of the Bank's major liabilities:

Bank's liabilities include taxes payables and other payables and cash collaterals, guarantee funds which members give for different markets.

3. Information on funds:

- a) Information on borrowers' funds: None (31 December 2018: None).

- b) Information on other funds:

The breakdown of funds which is the main liabilities of the Bank is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash collaterals	6,555,715	2,196,394	4,461,236	1,599,097
Members' receivables	194,854	410,223	147,259	215,846
Expense accruals	2,192	-	2,616	-
Other ⁽¹⁾	356,300	-	71,524	-
Total	7,109,061	2,606,617	4,682,635	1,814,943

⁽¹⁾ Amounting of other consists of pool and guarantee fund accounts.

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II. Explanations and Notes Related to Liabilities (Continued)

4. Explanations on financial lease liabilities (net):

- a) Explanation on finance lease payables: None (31 December 2018: None).
b) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	808	452	-	-
More than 4 years	-	-	-	-
Total	808	452	-	-

5. Information on provisions:

- a) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labour Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The provision for employment termination benefits of the Bank is calculated over the TL 6,379.86 (31 December 2018: TL 5,434.32) (full TL) which is the maximum amount of employment termination benefits.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 30 September 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 11.4% and interest rate 16.1% and a discount rate of 4.22% (31 December 2018: 13.5% inflation rate, 8.00% discount rate). The estimated rate of severance pay amount which is not paid and to be held in the bank as a result of optional leavings are also considered.

	Current Period	Prior Period
Total liabilities of employee terminations (Undiscounted)	12,505	11,498
Provision for employee termination (Presented in financial statements)	7,565	5,640
The ratio of provision to undiscounted total liabilities (%)	60.49	49.05

As of 30 September 2019, the Bank provided a reserve of TL 8,807 (31 December 2018: TL 7,045) for the unused vacation which classified under Reserve for Employee Benefits in the financial statements.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

5. Information on provisions (Continued):

a.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	5,640	5,900
Paid during the year	(787)	(1,367)
Actuarial (gain)/loss	1,490	(102)
Charge for the year	1,222	1,209
<i>Service charge</i>	545	560
<i>Interest charge</i>	677	649
Total	7,565	5,640

a.2) The reserve for employee benefits:

	Current Period	Prior Period
Unused vacation provision	8,807	7,045
Total	8,807	7,045

b) Information on other provisions:

b.1) Liabilities for pension funds established in accordance with “Social Security Institution”: None (31 December 2018: None).

b.2) Breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Expected credit losses ⁽¹⁾	16,459	36,378
Provisions for CMB’s Share Fee ⁽²⁾	11,443	14,414
Provision for legal claims	3,325	3,894
Provision for premiums	8,252	8,715
Total	39,479	63,401

⁽¹⁾ Consists of 12 months expected credit loss provisions for non-cash loans.

⁽²⁾ According to the related article of the Bank’s Capital Markets Law, the board share to be paid to the Capital Markets Board in 2019 consists of an expense accrual (CMB Board Share).

	Current Period	Prior Period
Provisions for cases beginning balance	3,894	9,926
Additions	404	6,242
Payments (-)	973	(193)
Cancellations (-)	-	(12,081)
Provisions for cases year end	3,325	3,894

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

5. Information on provisions (Continued):

c) Liabilities Resulting from Retirement Benefits: None (31 December 2018: None).

c.1) Liabilities for pension funds established in accordance with “Social Security Institution”: None (31 December 2018: None).

c.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2018: None).

6. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for corporate taxes	113,451	134,385
Prepaid taxes (-)	80,016	91,258
Corporate Income Tax Payable	33,435	43,127

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	33,435	43,127
Banking insurance transaction tax (BITT)	2,854	3,272
Taxation on securities	7,438	1,443
Value added tax payable	192	203
Other	1,569	1,376
Total	45,488	49,421

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employer	688	563
Social security premiums-employee	663	523
Unemployment insurance-employer	95	76
Unemployment insurance-employee	47	37
Total	1,493	1,199

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6. Explanations on taxes payable: (Continued)

b) Explanations on deferred tax liabilities:

Distribution of deferred tax assets / (liabilities):

	Current Period		Prior Period	
	Accumulated Temporary Differences	Deferred tax asset / (liability)	Accumulated Temporary Differences	Deferred tax asset / (liability)
Provisions for severance pay	7,565	1,513	5,640	1,128
Allowance provision	8,807	1,938	7,045	1,550
CMB Board share provision - other provision	11,443	2,517	14,414	3,171
Internal yield and market value differences of dibs of financial assest measured by amortized products	4,774	1,050	121	26
TFRS 9 provision for expected losses	34,953	7,690	51,762	11,388
Lawsuits and bonus	11,577	2,547	12,609	2,774
Interest accruals	90	20	-	-
TFRS 16 Leases	16	3	-	-
Deferred tax asset	79,225	17,278	91,591	20,037
Differences between the book value of fixed assests and tax value	67,690	13,680	56,156	11,375
Internal yield and market value differences of GDS measured at amortized cost.	-	-	-	-
Financial instruments value difference – from swap transactions	51,860	11,409	-	-
Deferred tax liability	119,550	25,089	56,156	11,375
Deferred tax asset / (liability), net		(7,811)		8,662

Deferred tax asset transaction table :

	Current Period	Prior Period
Previous period balance	8,662	(1,045)
TFRS 9 expected loss provisions (opening effect)	-	8,326
Deferred tax income / (expense)	(16,771)	1,402
Deferred tax recognized under equity	298	(21)
Deferred tax asset	(7,811)	8,662

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

7. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock ⁽¹⁾	600,000	600,000
Preferred stock	-	-

⁽¹⁾ As of 30 September 2019, the Bank has totally 6,000,000,000 issued share certificates. 2,000 of these shares are preferred shares.

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, and amount of registered share capital ceiling: Registered share capital system is not applied as of the balance sheet date (31 December 2018: Not applied).

c) Other information on the share of capital increased through capital contributions performed during the current period and capital funds: None (31 December 2018: None).

d) Information on share capital increases from capital reserves during the current period: None (31 December 2018: None).

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None (31 December 2018: None).

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Due to the Bank's liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

g) Information on preferred shares:

As of 30 September 2019, the Bank has no preferred shares (31 December 2018: the Bank has preferred shares with a nominal value of TL 200 (full TL). According to the article six of the Articles of Association, the shares which represent group shares of the newly issued group A and B shares belong only to BİAŞ and cannot be transferred. Besides, according to the Bank's Articles of Association - article 9/2, four members of the board of directors are chosen by the General Assembly, among the candidates presented by group shareholders.).

h) Information on marketable securities valuation reserve:

None (31 December 2018: None).

i) Information on past year profit distribution:

In the Bank's Ordinary General Assembly Meeting held on 19 April 2019, the bank transferred TL 28,487 as a legal reserves, from TL 479,740 distributable net profit of the prior period and TL 22,030 as an extraordinary reserves from TL 376,253 prior period profit. Besides, it was decided to distribute a TL 75,000 cash dividend to the Bank's shareholder.

j) Information on minority shares:

None (31 December 2018: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to the Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments: None (31 December 2018: None).
- b) Possible losses and commitments related to off-balance sheet items including items listed below:
- b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits as of the balance sheet date.

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other non-cash loans ⁽¹⁾	17,910,223	17,086,287
Total Non-Cash Loans	17,910,223	17,086,287

⁽¹⁾ Guarantees given to Takasbank Money Market, Securities Lending Market, Debt Securities Market, BİAŞ Money Market , Share Market and Futures and Options Market, Swap Market.

- b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2018: None).

- b.3) Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Derivatives Market (Bank is central counterparty services)	121,022	-	57,980	-
Capital commitment for Stock Exchange (Bank is central counterparty services)	26,474	-	12,981	-
Capital commitment for Swap Market (Bank is central counterparty services)	81,501	-	11,315	-
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	143,714	-	11,250	-
Subordinates and joint ventures capital contribution commitments	3,750	-	3,750	-
Capital commitment for Lending Market (Bank is central counterparty services)	3,782	-	2,596	-
Capital commitment for Money Market (Bank is central counterparty services (CCP))	1,702	-	1,731	-
Total	381,945	-	101,603	-

- c) Information related to Non-Cash Loans:

Information related to Non-Cash Loans: As the Bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts.

The limits are defined for the members and it is required to have continued guarantees. A limit is set for members for Takasbank Money Market, Loan Share Market, Share Market, Futures and Options Market (VIOP), BİAŞ Money Market and Debt Securities Market there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

- d) Information related to investment securities held in custody: the investment securities held in custody, TL 3,920,606,902 (31 December 2018: TL 3,592,018,661) of the TL 3,920,380,490 (31 December 2018: TL 3,591,786,440) balance of investment securities held in custody are investment funds as the other TL 226,411 (31 December 2018: TL 232,221) balance consists of share certificate held in custody.

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IV. Explanations and Notes Related to the Statement of Profit or Loss

1. Information on interest on loans:

a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	6,622	-	12,921	-
Medium/long-term loans	-	-	-	-
Interest on loans under follow-up	-	-	-	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	6,622	-	12,921	-

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	500	-	-
Domestic banks	406,526	131,824	295,065	141,092
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	406,526	132,324	295,065	141,092

c) Interest received from marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets at fair value through other comprehensive income	-	-	-	-
From financial assets measured at amortised cost	12,719	6,989	5,645	-
Total	12,719	6,989	5,645	-

d) Information on interest income received from associates and subsidiaries:

None (30 September 2018: None).

e) Other information:

None (30 September 2018: None).

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	156,658	-	103,126	-
<i>The Central Bank of Turkey</i>	-	-	378	-
<i>Domestic banks</i>	<i>156,658</i>	<i>-</i>	<i>102,748</i>	<i>-</i>
<i>Foreign banks</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Branches and head office abroad</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Other financial institutions</i>	<i>43</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total	156,701	-	103,126	-

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IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)

2. Information on interest expense (Continued)

b) Information on interest expense to associates and subsidiaries:

None (30 September 2018: None).

c) Information on interest expense to marketable securities issued:

None (30 September 2018: None).

d) Distribution of interest expense on deposits based on maturity of deposits:

None (30 September 2018: None).

3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	276	-
Other	37,642	-
Total	37,918	-

4. Information on net trading income:

	Current Period	Prior Period
Income	258,468	21,091
Gains on capital market operations	-	-
Gains on derivative financial instruments	201,383	21,091
Foreign exchange gains	57,085	-
Losses (-)	(208,950)	(10,184)
Losses on capital market operations	-	-
Losses on derivative financial instruments	(207,051)	(10,184)
Foreign exchange losses	(1,899)	-
Total (Net)	49,518	10,907

5. Information on other operating income:

	Current Period	Prior Period
Provisions no longer required	21,038	2,690
Collection of prior year expenses	316	243
Income from sales of the assets	247	4
Other income	20	23
Total	21,621	2,960

In the fifth section and fourth part Note 11, details of sub-accounts of balances that are grouped under “Others” section that constitute at minimum 20% of the balances under “Other” section are included if the accounted under “Other” section excludes 10% of the total balance of the Income Statement.

Information about the factors that affect the Bank’s profit materially and including new developments and the amount and quality of extraordinary accounts: None (30 September 2018: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)

6. Explanations on Banks' expected credit loss:

	Current Period	Prior Period
Expected credit loss	3,110	16,889
12 month expected credit loss (Stage 1)	3,110	16,889
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
Marketable securities impairment expense	-	-
Financial assets at fair value through profit/loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provision for associates, subsidiaries and joint ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Other	-	-
Total	3,110	16,889

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses ⁽¹⁾	56,928	41,048
Intangible amortization expenses	8,284	5,922
Tangible amortization expenses	3,480	2,599
Provisions for termination indemnities	1,222	907
Deficit provision for pension funds	-	-
Tangible impairment expenses	-	-
Intangible impairment expenses	-	-
Impairment losses on goodwill	-	-
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment losses on assets to be disposed	-	-
Depreciation expenses on assets to be disposed	-	-
Impairment losses on assets held for sale	-	-
Other operating expenses	25,168	19,488
-Leasing expenses related to TFRS 16 exceptions ⁽²⁾	3,452	3,605
-Advertisement expenses	944	-
-Repair and maintenance expenses	251	279
-Other expenses	20,521	15,604
Loss on sale of assets	8	29
Other ⁽³⁾	29,441	21,767
Total	124,531	91,760

⁽¹⁾ "Personnel Expenses", which is a separate item in the profit or loss statement, is also included table above.

⁽²⁾ 30 September 2018 amounts include all operating lease expenses.

⁽³⁾ Other operating expenses consists of provisions for capital market board's share fee, legal claims and unused vacation.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)

8. Information on continued and discontinued operations from tax provisions:

a) The Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	Current Period	Prior Period
Current income tax charge	(113,451)	(91,294)
Deferred tax charge	(16,771)	1,488
Total	(130,222)	(89,806)

b) Deferred tax on temporary differences:

	Current Period	Prior Period
TFRS 9 - Provisions for expected credit losses	(3,698)	(991)
Provision for employee termination	385	(319)
Deferred tax expense recognized under equity	(298)	(233)
Provision for legal claims and premium	(228)	(102)
Interest accruals	20	(69)
Difference between internal rate of return and market value of government debt securities measured at amortised cost	1,024	48
Unused vacation provision	388	100
Provisions for capital market board's share fee	(653)	264
Difference between book value and tax value of fixed assets	(2,305)	2,790
Derivative financial assets	(11,409)	-
Valuation of financial assets	3	-
Total	(16,771)	1,488

9. Information on net profit/loss from continued and discontinued operations:

As of 30 September 2019, net profit after tax of the Bank is TL 506,418 (30 September 2018: TL 323,776).

10. The explanations on net income / loss for the period:

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding Bank's performance for the period: None (30 September 2018: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (30 September 2018: None).

c) Profit/loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (30 September 2018: None).

11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

	Current Period	Prior Period
Other fees and commissions		
Commissions on options exchange	61,386	37,866
Service commissions	50,492	23,641
Custody commissions	37,996	26,001
Customer account maintenance commissions	23,812	21,573
Transfer commissions	7,706	5,572
Bank transfer transactions	8,553	7,669
Other	14,867	11,826
Total	204,812	134,148

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and notes related to risk group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period	-	-	16,374	3,964,840	-	-
Balance at end of the period	-	-	21,779	3,755,617	-	-
Interest and commission income	2,011	-	11,541	8,131	2,974	1,739

b) Prior Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period ⁽¹⁾	-	-	144,797	2,666,698	100,108	-
Balance at end of the period ⁽¹⁾	-	-	16,374	3,964,840	-	-
Interest and commission income	1,689	-	24,832	19,555	2,403	6,850

⁽¹⁾ 31 December 2018 amounts are expressed.

c) Information on related party deposits balances: None (31 December 2018: None).

d) Information on forward and option agreements and other similar agreements made with related parties: None (31 December 2018: None).

2. Disclosures for the risk group of the bank:

a) The relations of the bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not: None (31 December 2018: None).

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the volume of transactions, amount of major items and ratio to all items, pricing policies and other factors: None (31 December 2018: None).

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: None (31 December 2018: None).

d) Transactions accounted for under the equity method: None (31 December 2018: None).

e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees and management contracts: None (31 December 2018: None).

VI. Explanations and Notes Related To Subsequent Events

On 25 October 2019, Mehmet Hakan Atilla was appointed as the Chairman of the Board of Directors.

VII. Other Explanations

None.

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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report

The unconsolidated financial statements for the nine month period ended 30 September 2019 were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors’ Review Report dated 14 November 2019 is presented in the introduction of this report.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None.

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SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

Chairman of the Board of Director's Evaluation Regarding the Operating Period

The weakening trend in the global economic outlook since the last quarter of 2018 continues due to global uncertainties and international trade tensions. In this period in which the possibility of global recession is more pronounced, downward risks in inflation become more pronounced due to the weakening of economic activity in developed countries. Accordingly, the need for expansionary monetary policy steps to support growth in developed countries emerged. The Central Bank of the United States has cut interest rates twice since the beginning of the year and is expected to lower the US dollar overnight interest rate to the range of 1.25-1.50 due to the risks mentioned in the rest of the year. Similarly, as the Euro Zone showed signs of weakening under the leadership of Germany, the negative interest rate was reduced by 10 bp with the support of the monetary policy support of the European Central Bank and it was announced that the bond purchase program would be started again. At the same time, the importance and necessity of fiscal policy supports for the success of global economic policies are emphasized differently from the previous period. While Japan continues its monetary support, China is implementing all monetary and financial measures necessary to sustain its growth at around 6%. In this context, the global liquidity environment provides the necessary support to stop the slowdown in the global economy.

Following the exchange rate shock in Turkey in August 2018, tight monetary policy stance focused on reducing inflation implemented by the economy management, strengthened policy coordination and confidence environment ensured a balance in the economy. As of the third quarter of 2019, the indicators related to economic growth have been carried to the positive region. Despite a period in which geopolitical risks emerged markedly, the stability has been achieved in the Turkish Lira. the acceleration in exports despite the global economic slowdown, and the success in the current account balance in this direction, brought inflation under control in a short period as one year and converged from 25% to 9%. Also budget discipline is maintained despite increasing public support for supporting economic growth. All shows that our Government has implemented a monetary and fiscal policy covering structural transformation steps consistent with the balancing process.

Contributions to the expansionary monetary policies implemented by global central banks and the prudent economic management implemented by our Government will continue to increase the recovery trend recorded in the third quarter of the year is observed.

Takasbank, which has become an important financial infrastructure company with the services it provides to our country's money and capital markets, continues to contribute to a more stable and sustainable structure of the development of our markets.

Our bank completed a successful 2019 nine months of financial period, our pre-tax profit being realized as TL 636.7 million, total assets as TL 14.9 billion and shareholders' equity as TL 2.2 billion.

The BIGA Project, which is considered to be an important turning point in the transfer system and financial transformation, was completed and announced to the public as of September. BIGA is a block chain-based gold transfer infrastructure platform with a physical basis, compliant with regulation and providing maximum privacy and security, and the aim of the project is to provide the aim of the project. 100 percent physical equivalent Borsa İstanbul safes on behalf of Takasbank is taken to the mislent storage, standards are certain recorded gold is transferred using block chain technologies. With the completed project, full privacy was provided for the transfer transactions carried out on the platform, and an infrastructure was established where the transaction could be monitored by an authority other than the parties. The project, completely completed by the resources of our Bank, has proven the feasibility of the infrastructures necessary for the dissemination of block chain-based financial solutions and this proof is expected to be a reference to new studies.

Within the scope of projects for the development of information processing infrastructure; transition of technologically completed operating systems to new platforms, classification, labelling and tracking of non-structural Bank data with DLP product, identity management system (IDM) within the scope of our Bank's human resources automation of the user database has been ensured.

On behalf of the Board of Directors, I would like to thank all our stakeholders, especially our employees and executives, who have a share in the successful performance of our Bank during this period.

Bekir BAYRAKDAR

Deputy Chairman of the Board of Directors

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

CEO's Evaluation regarding the Operating Period

Throughout in the nine months of 2019, our bank continued its efficient and effective progress for Turkish capital markets, shareholders and customers and showed a successful performance.

Evaluating the 2019 financial results of our bank for the nine month period ended, it is observed that a pre-tax profit of TL 636.6 million is obtained. Also, total assets, shareholder equity and cash collateral are realized as TL 14.9, and 2.2 billion respectively.

Throughout the period, a total TL 9,594.02 billion transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, TL 18.15 billion are corporate bond transactions. As a result of multilateral netting process in the Takasbank system, Takasbank executed cash settlement with a value of TL 1.371.97 billion and securities settlement with a market value of TL 5,971.41 billion.

Throughout the period, the both-sided total transaction in the BİAŞ Swap Market is amounting TL 1.786.51 Of these transactions, TL 271.31 billion are USD, TL 40.13 billion are EUR.

In the second quarter period, BİAŞ realized a stock exchange transaction volume of TL 1.421 billion, a cash transaction of TL 76 billion and a securities exchange transaction of TL 246 billion.

Total number of members in the Futures and Options Market (VIOP) was 67 as of 30 September 2019. In the same period, the number of open positions in VIOP reached 3,983,553 with a market value of TL 14.3 billion.

Throughout the period, Takasbank cash credit volume reached a daily average volume of TL 34.8 million with the active utilization of 13 brokerage houses and settlement credit reached to TL 4.6 million with the active utilization of 11 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a nine month period reached TL 411.8 billion and transaction number was 174,719. Daily average trading volume was realized as TL 2.2 billion and average transaction size was TL 2.4 billion.

Takasbank Securities Lending Market at which CCP service is provided, a total of 3,191 million transactions are executed once in a nine month period. In this market, 324 different type of securities were subject to the transactions and the trading volume was realized as TL 15.76 billion.

As of 30 September 2019, 17 private pension companies held 412 private pension funds with Takasbank having a total asset value of 115.1 billion Turkish liras. At the same period, 516 mutual funds had a total asset value of TL 89.9 billion and 9 mutual trusts had a total asset value of TL 544.1 million.

With the belief that our employees having a big role in the high performance of our bank will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone having a labour in this success.

Best regards,

Gökhan ELİBOL
Deputy General Manager
Board Member

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Bank's Historical Development

The Bank was originally set up as a department of the Borsa İstanbul Inc. ("BİAŞ") and, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the resolution in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. (İstanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank has a paid-in capital of TL 600 million. The bank has 40 shareholders with Borsa İstanbul having 64.15%, 11 banks having 17.04 % and 28 brokerage houses having 18.81% of shares.

Shareholder Name	Paid-in Capital (Thousand TL)	Capital ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Tacirler Menkul Değerler A.Ş.	29,516	4.92
Phillip Capital Menkul Değerler A.Ş.	28,423	4.74
Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (Brokerage)	28,638	4.77
Other (Bank)	20,101	3.35
Total	600,000	100

Titles and Shares of the Real or Legal Persons having more than 10% of the capital:

Business Name	Share Amount (Thousand TL)	Ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15

Share transfers of the shareholders within the reporting period:

Former Partner	New Partner	Share Amount (Bin TL)	Rate (%)	Explanation
Toros Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0.0030	Transfer
Güven Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	500	0.0833	Transfer
Güven Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	500	0.0833	Transfer

Branch and Personnel Information

The Bank has a total of 299 employees and does not have any branches. The Bank is operating as Head Office.

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors	
Name Surname	Area of Responsibility
Murat Çetinkaya (*)	President
Bekir Bayrakdar (*)	Deputy Chairman of the Board
Gökhan Elibol (*)	Deputy General Manager – Member of Board – Credit Committee Member
Seyit Ahmet Işkın	Member (President of Credit Committee– President of Central Counterparty Risk Consultation Committee)
Hüseyin Melih Akosman (*)	Member (Credit Committee Member)
Suat Sarıgül (*)	Member (Credit Committee Associate Member)
Ekrem Kerem Korur	Member (Member of Audit Committee - Corporate Governance Committee Member)
Münevver Çetin	Member (President of Credit Committee)
Gülseren Topuz	Member (President of Corporate Governance Committee - Credit Committee Associate Member - Member of Central Counterparty Risk Consultation Committee)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Gökhan Elibol	Deputy General Manager – Member of Board - Credit Committee Member
Serkan Aşkar (*)	Assistant General Manager - Central Counterparty and Financial Services

* The General Assembly Meeting in 19 April 2019, Metin Kıratlı, Gülsevin Çipli and Kenan Ayvaci, resigned from the membership of the board and Bekir Bayrakdar, Hüseyin Melih Akosman and Suat Sarıgül was appointed as Members of the Board of Directors. Also Mahmut Kayacık, resigned from the general manager position and Gökhan Elibol who Assistant General manager was appointed as General Manager.

* On 25 April 2019, Ekrem Arkan, Assistant General Manager in charge of Information Technology, resigned from his current position.

* On 19 August 2019, Serkan Aşkar, Assistant General Manager responsible for Central Counterparty and Financial Services, took office.

* Chairman of the Board of Directors Murat Çetinkaya resigned from his current position on 31 August 2019.

* Mehmet Hakan Atilla has been appointed as the Chairman of the Board of Directors on 25 October 2019.

Information Related to Transactions the Bank Performs Conducts with its Risk Group

Within the scope of the transactions executed with its risk group, the transactions executed with the Bank's major shareholder Borsa Istanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are taken into account. "Funds" item is not in the Debt securities guarantee fund since the second quarter of 2019. BİAŞ withdrawn the amount of Share Certificate Guarantee Fund which held by Takasbank.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of TL)		Other real persons and legal entities included in the risk group (Thousand TL)	
	Cash	Non-Cash	Cash	Non-Cash	Non-Cash	Cash
Loans and Other Receivables						
Opening Balance at the Beginning of the Period	-	-	16,374	3.964.840	-	-
Closing Balance at the end of the Period	-	-	21,779	3.755.617	-	-
Received Interest and Commission Income	2,011		11,541	8,131	2,974	1,739

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	30 September 2019
Financial Assets (net)	14,030,354
<i>Cash and Cash Equivalents</i>	<i>13,975,412</i>
<i>Cash and Balances with Central Bank</i>	<i>1,579</i>
<i>Banks</i>	<i>13,950,183</i>
<i>Money Markets</i>	<i>42,019</i>
<i>Expected Loss Reserves (-)</i>	<i>18,369</i>
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	<i>3,082</i>
<i>Derivative Financial Assets</i>	<i>51,860</i>
Financial Assets Measured at Amortised Cost (net)	681,667
<i>Loans</i>	<i>30,126</i>
<i>Other Financial Assets Measured at Amortised Cost</i>	<i>653,240</i>
<i>Expected Credit Losses (-)</i>	<i>1,699</i>
Investments in Associates, Subsidiaries and Joint Ventures	4,825
Tangible Assets (net)	10,229
Intangible Assets and Goodwill (net)	104,630
Investment Properties (net)	8,957
Current Tax Assets	-
Deferred Tax Assets	-
Other Assests	37,671
Total Assets	14,878,333
LIABILITIES (Thousand TL)	30 September 2019
Loans Received	2,874,880
Funds	9,715,678
<i>Other</i>	<i>9,715,678</i>
Derivative Financial Liabilities	-
Lease Payables	452
Provisions	55,851
<i>Provision for Employee Benefits</i>	<i>16,372</i>
<i>Other Provisions</i>	<i>39,479</i>
Current Tax Liabilities	46,981
Deferred Tax Liability	7,811
Shareholders` Equity	2,176,680
Total Liabilities	14,878,333
Statement of Profit or Loss(Thousand TL)	30 September 2019
<i>Interest Income</i>	<i>603,786</i>
<i>Interest Expense (-)</i>	<i>156,701</i>
<i>Net Interest Income/Expense</i>	<i>447,085</i>
<i>Net Fees and Commission Income/Expense</i>	<i>208,139</i>
<i>Dividend Income</i>	<i>37,918</i>
<i>Net Trading Income/Losses</i>	<i>49,518</i>
<i>Other Operating Income</i>	<i>21,621</i>
<i>Total Operating Profit</i>	<i>764,281</i>
<i>Expected Credit Losses (-)</i>	<i>3,110</i>
<i>Other Provisions (-)</i>	<i>23,658</i>
<i>Personnel Expenses (-)</i>	<i>56,928</i>
<i>Other Operating Expenses</i>	<i>43,945</i>
<i>Net Operating Profit/Loss</i>	<i>636,440</i>
<i>Provision for Taxes (-)</i>	<i>(130,222)</i>
Net profit/loss	506,418
Financial Ratios	30 September 2019
<i>Operating Income / Total Assets</i>	<i>4.28</i>
<i>Shareholders Equity / Total Assets</i>	<i>14.63</i>
<i>Operating Income / Shareholders Equity</i>	<i>29.25</i>
<i>Net interest revenue / Operating revenue</i>	<i>58.50</i>

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

ASSETS (Thousand TL)	31 December 2018
Financial Assets (net)	11,596,857
<i>Cash and Balances with Central Bank</i>	<i>79,037</i>
<i>Banks</i>	<i>10,884,838</i>
<i>Money Markets Placements</i>	<i>645,263</i>
<i>Expected Loss Provision (-)</i>	<i>15,363</i>
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	<i>3,082</i>
Financial Assets Measured at Amortised Cost	14,780
<i>Loans</i>	<i>16,374</i>
<i>Financial Assets Measured at Amortised Cost</i>	<i>-</i>
<i>Expected loss provision (-)</i>	<i>1,594</i>
Investments in Associates, Subsidiaries and Joint Ventures	4,825
Tangible Assets (net)	11,847
Intangible Assets and Goodwill (net)	102,497
Investment Properties (net)	9,187
Current Tax Assets	-
Deferred Tax Assets	8,662
Other Assets	46,528
Total Assets	11,795,183
LIABILITIES (Thousand TL)	31 December 2018
Loans Received	3,425,414
Funds	6,497,578
<i>Other</i>	<i>6,497,578</i>
Derivative Financial Assets	-
Lease Payables	-
Provisions	76,086
<i>Provision for Employee Benefits</i>	<i>12,685</i>
<i>Other Provisions</i>	<i>63,401</i>
Current Tax Liabilities	50,620
Deferred Tax Liability	-
Shareholders` Equity	1,745,485
Total Liabilities	11,795,183
Statement of Profit or Loss (Thousand TL)	30 September 2018
Interest Income	455,442
Interest Expense (-)	103,126
Net Interest Income/Expense	352,316
Net Fees and Commission Income/Expense	156,048
Dividend Income	-
Net Trading Income/Losses	10,907
Other Operating Income	2,960
Total Operating Profit	522,231
Expected Credit Losses (-)	16,889
Other Provisions (-)	17,805
Personnel Expenses (-)	41,048
Other Operating Expenses	32,907
Net Operating Profit/Loss	413,582
Provision for Taxes (-)	(89,806)
Net Income/(Loss)	323,776
Financial Ratios	30 September 2018
Operating Income / Total Assets	3.51
Shareholders Equity / Total Assets	14.80
Operating Income / Shareholders Equity	23.69
Net Interest Revenue / Operating Revenue	67.46

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Total assets size being TL 11,795,183 thousand as of 2018 year-end reached to TL 14,878,333 thousand as of the end of September 2019. Banks account, which is the highest amount in assets, increased by 28% compare to 2018 year-end and realized as TL 13,950,183 thousand.

The Borrower Funds item, the most important item in the Bank's liabilities, increased by 50% to TL 9,715,678 thousand from TL 6,497,578 thousand at the end of the previous year. Funds Borrowed decreased by 16% from TL 3,425,414 thousand to TL 2,874,880 thousand.

As of the end of the third quarter of 2019, the Bank generated TL 636,440 thousand profit before tax and TL 506,418 thousand profit after tax.

Obtained interest revenue TL 603,786 thousand as of the end of September 2019; TL 538,850 thousand was from banks, TL 19,708 thousand from securities, TL 6,622 thousand from loans, TL 37,881 thousand from money market transactions, TL 725 thousand from others. Total interest expenses for this period amounted to TL 156,701 thousand.

The Bank earned TL 230,923 thousand commission revenue as the result of the services provided and paid commission of TL 22,784 thousand for TL and FX money transfer transactions. Net fees and commissions income amounted to TL 208,139 thousand as of the end of September 2019.