

Türkiye Emlak Katılım Bankası
Anonim Şirketi

Consolidated Financial Statements,
Related Disclosures and Independent Auditors' Review Report
Thereon as of 30 September 2019
*(Convenience translation of the limited review report and
financial statements and related disclosures originally issued in Turkish)*



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

Independent Auditors' Review Report On Consolidated Interim Financial Information

To the Board of Directors of Türkiye Emlak Katılım Bankası Anonim Şirketi

Introduction

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

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited 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 independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the financial position of Türkiye Emlak Katılım Bankası A.Ş. as at 30 September 2019 and its consolidated financial performance and its consolidated cash flows for the nine-month-period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Other Matter

The consolidated statement of profit or loss, consolidated profit or loss and other comprehensive income, consolidated changes in shareholders' equity and consolidated cash flows for the nine months period ended 30 September 2018 are not subject to limited review, prepared in accordance with the Tax Procedures Law and presented in comparison with the Bank's consolidated financial information of the Bank for the period ended 30 September 2019.

Report on Other Legal and 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 consolidated interim financial information and disclosures in all material respects.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative


Erdal Tıkmaç SMMM
Partner

25 November 2019
İstanbul, Turkey

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

Bank's headquarter address : Barbaros Mahallesi, Begonya Sk. No:9A
34746 Ataşehir/İstanbul
Bank's phone number and facsimile : 0 (216) 266 26 26 - 0 (216) 275 25 25
Bank's website : www.emlakbank.com.tr
Electronic mail contact info : emlakbank@emlakbank.com.tr

The financial report for nine months, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON LIMITED REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows

Subsidiaries

Emlak Varlık Kiralama A.Ş.

The consolidated financial statements for the nine-month period and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Prof. Dr. Mehmet Emin BİRPINAR	Cengiz SİNANOĞLU	Hasan APAYDIN	Tuğba GEDİKLİ
Chairman of the Board of Directors	Acting General Manager	Assistant General Manager	Budget and Financial Reporting Director

Prof. Dr. Mehmet ERSOY
Member of the Audit Committee

Mehmet Ali KAHRAMAN
Member of the Audit Committee

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

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION ONE

General Information

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

The Bank was incorporated in Ankara 3 June 1926 with the name of Emlak ve Eytam Bankası, in accordance with instructions of Mustafa Kemal Atatürk. The aim of establishment of the Bank is to support public construction, to provide necessary loan and to protect orphan's right. The Bank had restructured on 1 September 1946 and after this date the title of the Bank had changed as Türkiye Emlak Kredi Bankası Anonim Ortaklığı. The Bank had merged with Anadolu Bankası A.Ş. and assumed the title of Türkiye Emlak Bankası A.Ş. as of 6 January 1988.

Denizcilik Bankası A.Ş. had transferred to Türkiye Emlak Bankası A.Ş. with the all of its assets and liabilities on 29 November 1992 and maritime loans were also collected at this Bank.

During the period in which the Türkiye Emlak Bankası A.Ş. operates, in addition to its banking activities has become serious brand in the construction of qualified housing projects in line with the its establishment purpose, and has produced important housing projects in many provinces of Turkey, especially in İstanbul, Ankara and İzmir. İstanbul-Ataköy, Ataşehir, Bahçeşehir, Mimaroba, Sinanoba, Ankara-Bilkent, Elvankent, Konutkent, İzmir-Gazimiri and Mavişehir projects are included in the Bank's important projects.

The Bank has entered into a restructuring process with the Law about Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bankası A.Ş. no. 4603 dated 21 November 2000, and the transition from the public law status to the status of private law has achieved.

According to BRSA's decision dated 6 July 2001, Türkiye Emlak Bankası A.Ş. was transferred to Türkiye Cumhuriyeti Ziraat Bankası A.Ş. with its assets and liabilities. In this regard, No. 4684 Certain Laws and Delegated Legislation Law Amending the Law No. 4603 and Article 2 of the Law about Türkiye Cumhuriyeti Ziraat Bank, Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. attached Provisional Article 3 of the Law (3) In accordance with the provisions of paragraph, the permission of Türkiye Emlak Katılım Bankası A.Ş. to accept deposits and perform banking operations came to an end on 6 July 2001.

The Bank's all assets including banking services, branches, deposits, and commitments and liabilities arising from and banking services were transferred to Ziraat and Halk Bank with the protocol held on 7 July 2001. From this date, the Bank's permission for banking activities and collection of deposit removed.

Board of Liquidation, Board of Directors and Board of Supervisors of the Bank had established with the extraordinary general assembly held on 14 September 2001, and liquidation process had actually started with the personnel on temporary duty sent by Türkiye Cumhuriyeti Ziraat Bankası A.Ş. As a result of the Bank's repayment of its debts to the Treasury Department and all other debts after the end of 16 years with the Law of "Some Receivables and Re-Structuring and Certain Laws and Decree Law Amending No. 7020 with the following regulation made in the Law of Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. No. 4603, the liquidation of the Bank has been removed, as of 27 May 2017.

After the liquidation of the Bank, in the General Assembly held on 3 September 2018, the new Articles of Association approved and the status was determined as participation bank. The title of the Bank was registered as Türkiye Emlak Katılım Bankası A.Ş. on 10 September 2018.

The Bank has obtained the operating permission with the decision of the Banking Regulation and Supervision Board dated 26 February 2019 and numbered 8262 published in the Official Gazette dated 27 February 2019 and numbered 30699 and commenced operations as of 21 March 2019.

The Bank's head office is located in İstanbul and there is 2 branch of the bank as of 30 September 2019. The Bank is operating with 286 (31 December 2018: 85) staff.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousands of Turkish Lira (TL) unless otherwise stated)

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

The Bank's share is TL 750.000 and 99,99% of the Bank's share are owned by Ministry of Treasury and Finance. Except by Ministry of Treasury and Finance, T. Emlak Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and 33 real person have shares amounting to TL 80,57 (full) and TL 3,38 (full), respectively.

TL 749.999 portion of the capital amounting to TL 750.000 has been paid, and TL 2.82 (full) portion has not been paid by the 33 real person.

The part of the capital belonging to the Ministry of Treasury and Finance is represented by the Ministry of Environment and Urbanization.

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

Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage(%)
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate	-
Abdullah Ertem CANTIMUR	Member of BOD	Master	-
Prof. Dr. Mehmet ERSOY	Member of BOD and Board of Supervisors	Doctorate	-
Mehmet Ali KAHRAMAN	Member of BOD and Board of Supervisors	Master	-
Mehmet Nuri YAZICI	Member of BOD	Bachelor	-
Prof. Dr. Murat BALCI	Member of BOD	Doctorate	-
Cengiz SİNANOĞLU(*)	Member of BOD / General Manager (acting)	Master	-
Hasan APAYDIN	Assistant General Manager Responsible for Operations	Master	-
Savaş DİVANLIOĞLU	Assistant General Manager Responsible for Investment	Master	-
Uğur KARA(**)	Assistant General Manager Responsible for Human Resources	Master	-

(*) Cengiz Sinanoğlu, who was appointed General Manager (acting) pursuant to a Board of Directors resolution dated 11 October 2019.

(**) Uğur Kara, Assistant General Manager Responsible for Human Resources, started to work on 14 October 2019.

IV. Information on the Bank's qualified shareholders

The Bank's paid in capital amounting to TL 750.000 consists of 75.000.000.000 number of shares with a nominal value of TL 0,01 (full) for each share.

Name/commercial name	Share amount	Share ratio	Paid shares	Unpaid shares
Ministry of Treasury and Finance	750.000	99,99%	750.000	-
Other	-	0,00001%	-	-

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

The Bank's main purpose and field of operation is to perform all kinds of banking activities, to accept funds and the execution of legal acts, acts and works in the banks' fields of activity within the Banking Law which is in force and the laws and delegated legislations which will be enacted in the future and the regulations that are related to these law.

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

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Emlak Varlık Kiralama A.Ş. which is established in 5 August 2019 are consolidated within the scope of full consolidation

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

There is no immediate transfer of equity between the Bank and its subsidiaries.

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

SECTION TWO

Consolidated interim financial statements

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

ASSETS	Note (5 - 1)	Reviewed Current Period 30 September 2019			Audited Prior Period (Restated) 31 December 2018 (*)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		208.728	986.346	1.195.074	655.644	1.957	657.601
1.1 Cash and cash equivalents		34.353	269.133	303.486	655.644	1.957	657.601
1.1.1 Cash and balances with Central Bank	(1)	34.018	251.953	285.971	6	-	6
1.1.2 Banks	(2)	335	17.180	17.515	655.638	1.957	657.595
1.1.3 Money market placements		-	-	-	-	-	-
1.2 Financial assets measured at fair value through profit/loss (FVTPL)	(3)	166.716	716.805	883.521	-	-	-
1.2.1 Government Securities		166.716	716.805	883.521	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other financial assets		-	-	-	-	-	-
1.3 Financial assets measured at fair value through other comprehensive income (FVOCI)	(4)	7.659	-	7.659	-	-	-
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		7.659	-	7.659	-	-	-
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5)	-	408	408	-	-	-
1.4.1 Derivative Financial Assets Measured at FVTPL		-	408	408	-	-	-
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		2.707.391	1.841.266	4.548.657	-	-	-
2.1 Loans	(6)	2.707.391	836.978	3.544.369	-	-	-
2.2 Lease receivables	(8)	-	-	-	-	-	-
2.3 Measured at amortized cost	(7)	-	1.004.288	1.004.288	-	-	-
2.3.1 Government Securities		-	1.004.288	1.004.288	-	-	-
2.3.2 Other financial assets		-	-	-	-	-	-
2.4 Non performing loans	(6)	188.365	-	188.365	188.343	-	188.343
2.5 Specific provisions (-)	(6)	188.365	-	188.365	188.343	-	188.343
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(9)	35.273	-	35.273	36.722	-	36.722
3.1 Asset Held for sale		35.273	-	35.273	36.722	-	36.722
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1 Associates (Net)	(10)	-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(11)	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)	(12)	-	-	-	-	-	-
4.3.1 Joint-Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)		59.238	-	59.238	12.021	-	12.021
V. INTANGIBLE ASSETS (NET)		26.691	-	26.691	20.330	-	20.330
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		26.691	-	26.691	20.330	-	20.330
VII. INVESTMENT PROPERTY (NET)	(15)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	89.061	-	89.061
IX. DEFERRED TAX ASSETS	(16)	94.149	-	94.149	103.538	-	103.538
X. OTHER ASSETS	(17)	222.099	4	222.103	219.525	-	219.525
TOTAL ASSETS		3.353.569	2.827.616	6.181.185	1.136.841	1.957	1.138.798

(*) The details of the restatement of the prior period are explained in Note XXIII of Section Three.

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

LIABILITIES	Note (5 - II)	Reviewed Current Period 30 September 2019			Audited Prior Period (Restated) 31 December 2018 (*)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	2.132.428	1.711.804	3.844.232	-	-	-
II. FUNDS BORROWED	(2)	-	80.281	80.281	-	-	-
III. MONEY MARKET FUNDS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(3)	455	-	455	-	-	-
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		455	-	455	-	-	-
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(4)	21.727	-	21.727	-	-	-
VIII. PROVISIONS	(6)	49.695	12.967	62.662	30.862	-	30.862
8.1 General Provisions		41.764	12.781	54.545	9.777	-	9.777
8.2 Restructuring Provisions		-	-	-	-	-	-
8.3 Reserve for Employee Benefits		5.030	-	5.030	4.462	-	4.462
8.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.5 Other Provisions		2.901	186	3.087	16.623	-	16.623
IX. CURRENT TAX LIABILITY	(7)	7.190	-	7.190	1.714	-	1.714
X. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-	-	-	-
11.1 Held for Sale Purpose		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(9)	-	984.095	984.095	-	-	-
12.1 Loans		-	984.095	984.095	-	-	-
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES		27.776	11	27.787	4.601	515	5.116
XIV. SHAREHOLDERS' EQUITY	(11)	1.152.756	-	1.152.756	1.101.106	-	1.101.106
14.1 Paid-in capital		750.000	-	750.000	750.000	-	750.000
14.2 Capital Reserves		23.088	-	23.088	-	-	-
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		23.088	-	23.088	-	-	-
14.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
14.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
14.5 Profit Reserves		351.106	-	351.106	2.631.991	-	2.631.991
14.5.1 Legal Reserves		351.106	-	351.106	311.495	-	311.495
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		-	-	-	-	-	-
14.5.4 Other Profit Reserves		-	-	-	2.320.496	-	2.320.496
14.6 Income or (Loss)		28.562	-	28.562	(2.280.885)	-	(2.280.885)
14.6.1 Prior Periods' Income or (Loss)		-	-	-	(2.824.581)	-	(2.824.581)
14.6.2 Current Period Income or (Loss)		28.562	-	28.562	543.696	-	543.696
14.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		3.392.027	2.789.158	6.181.185	1.138.283	515	1.138.798

(*) The details of the restatement of the prior period are explained in Note XXIII of Section Three.

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

	Note (5 - III)	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)		494.212	180.364	674.576	-	-	-
I. GUARANTEES AND SURETIES	(1)	28.542	24.858	53.400	-	-	-
1.1. Letters of Guarantees		28.542	24.858	53.400	-	-	-
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		28.542	24.858	53.400	-	-	-
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Letter of Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		-	-	-	-	-	-
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	-	-	-	-	-
1.7. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	445.819	38.998	484.817	-	-	-
2.1. Irrevocable Commitments		445.819	38.998	484.817	-	-	-
2.1.1. Asset Purchase and Sale Commitments		38.425	38.998	77.423	-	-	-
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		407.014	-	407.014	-	-	-
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		380	-	380	-	-	-
2.1.7. Tax And Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8. Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.9. Banking Activities		-	-	-	-	-	-
2.1.10. Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		-	-	-	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		19.851	116.508	136.359	-	-	-
3.1. Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		19.851	116.508	136.359	-	-	-
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. Other Forward Buy/Sell Transactions		19.851	116.508	136.359	-	-	-
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		8.890.816	2.663.356	11.554.172	1.994	11.353	13.347
IV. ITEMS HELD IN CUSTODYs		249.838	1.939.577	2.189.415	1.994	11.353	13.347
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		1.174	-	1.174	-	-	-
4.3. Cheques Received for Collection		90.051	36	90.087	-	-	-
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		954	-	954	1.994	11.353	13.347
4.8. Custodians		157.659	1.939.541	2.097.200	-	-	-
V. PLEDGED ITEMS		8.640.978	723.779	9.364.757	-	-	-
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		117.714	-	117.714	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		289.000	-	289.000	-	-	-
5.6. Other Pledged Items		8.234.264	723.779	8.958.043	-	-	-
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		9.385.028	2.843.720	12.228.748	1.994	11.353	13.347

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF PROFIT AND LOSS		Reviewed	Unreviewed	Reviewed	Unreviewed
		Current Period	Prior Period	Current Period	Prior Period
		Note	1 January -	1 January -	1 July -
		(5 - IV)	30 September 2019	30 September 2018	30 September 2018
I.	PROFIT SHARE INCOME	(1)	254.238	152.078	131.150
1.1	Profit Share on Loans		179.100	-	105.811
1.2	Income Received from Reserve Deposits		1.548	-	1.096
1.3	Income Received from Banks		34.222	-	-
1.4	Income Received from Money Market Placements		-	-	-
1.5	Income Received from Marketable Securities Portfolio		38.276	-	23.875
1.5.1	Financial Assets at Fair Value Through Profit and Loss		18.075	-	12.365
1.5.2	Financial Assets at Fair Value through Other Comprehensive Income		-	-	-
1.5.3	Financial Assets Measured at Amortised Cost		20.201	-	11.510
1.6	Finance Lease Income		-	-	-
1.7	Other Profit Share Income		1.092	152.078	368
II.	PROFIT SHARE EXPENSE	(2)	108.745	-	72.708
2.1	Expense on Profit Sharing Accounts		85.262	-	59.547
2.2	Profit Share Expense on Funds Borrowed		22.427	-	12.648
2.3	Profit Share Expense on Money Market Borrowings		3	-	1
2.4	Expense on Securities Issued		-	-	-
2.5	Lease Profit Share Expense		1.053	-	512
2.6	Other Profit Share Expenses		-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		145.493	152.078	58.442
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		(783)	1	(69)
4.1	Fees and Commissions Received		391	2	346
4.1.1	Non-Cash Loans		118	-	107
4.1.2	Other		273	2	239
4.2	Fees and Commissions Paid		1.174	1	415
4.2.1	Non-Cash Loans		12	-	12
4.2.2	Other		1.162	1	403
V.	DIVIDEND INCOME	(3)	-	-	-
VI.	NET TRADING INCOME	(4)	18.733	258.741	13.381
6.1	Capital Market Transaction Gains / (Losses)		16.756	-	12.218
6.2	Gains/ (Losses) from Derivative Financial Instruments		(4.668)	-	(6.882)
6.3	Foreign Exchange Gains / (Losses)		6.645	258.741	8.045
VII.	OTHER OPERATING INCOME	(5)	19.401	16.890	16.123
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		182.844	427.710	87.877
IX.	LOAN PROVISIONS (-)	(6)	44.825	-	28.519
X.	PERSONNEL EXPENSES (-)		48.537	4.499	19.190
XI.	OTHER OPERATING EXPENSES (-)	(7)	51.531	1.704	30.544
XII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		37.951	421.507	9.624
XIII.	INCOME RESULTED FROM MERGERS		-	-	-
XIV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-	-
XV.	GAIN/LOSS ON NET MONETARY POSITION		-	-	-
XVI.	PROFIT/LOSS BEFORE TAXES (XIII+...+XV)		37.951	421.507	9.624
XVII.	PROVISION FOR TAXES (±)	(9)	9.389	87.149	4.092
17.1	Current Tax Provision		-	87.149	-
17.2	Deferred Tax Expense (+)		13.274	-	6.194
17.3	Deferred Tax Income (-)		3.885	-	2.102
XVIII.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)		28.562	334.358	5.532
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-
19.1	Income From Assets Held for Sale		-	-	-
19.2	Income From Sale of Associates, Subsidiaries and Joint-Ventures		-	-	-
19.3	Income From Other Discontinued Operations		-	-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-
20.1	Expenses on Assets Held for Sale		-	-	-
20.2	Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	-	-
20.3	Expenses from Other Discontinued Operations		-	-	-
XXI.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	-	-
XXII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(9)	-	-	-
22.1	Current Tax Provision		-	-	-
22.2	Deferred Tax Expense (+)		-	-	-
22.3	Deferred Tax Income (-)		-	-	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)		28.562	334.358	5.532
23.1	Group's Income/Loss		28.562	334.358	5.532
23.2	Minority Shares Profit/Loss (-)		-	-	-
	Earnings Per Share		0,00038	0,00446	0,00007

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Current period	Unreviewed Prior Period
		1 January – 30 September 2019	1 January - 30 September 2018
I.	CURRENT PERIOD PROFIT/LOSS	28.562	334.358
II.	OTHER COMPREHENSIVE INCOME	-	-
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.1	Revaluation Surplus on Tangible Assets	-	-
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-	-
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
2.2.3	Gains/losses from Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	28.562	334.358

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity Before Minority Shares	Minority Shares	Shareholders' Equity
					1	2	3	4	5	6						
I. Current Period (1 January-30 September 2019)																
Balances at Beginning Period	750.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106	-	1.101.106
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	750.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106	-	1.101.106
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	28.562	28.562	-	28.562
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities^(*)	-	-	-	23.088	-	-	-	-	-	-	-	-	-	23.088	-	23.088
X. Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	(2.280.885)	2.824.581	(543.696)	-	-	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	(2.280.885)	2.280.885	-	-	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	543.696	(543.696)	-	-	-
Balances at end of the period (III+IV...+X+XI)	750.000	-	-	23.088	-	-	-	-	-	-	351.106	-	28.562	1.152.756	-	1.152.756

1. Tangible and Intangible Assets Revaluation Reserve

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

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

4. Exchange Differences on Translation

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

6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

^(*) Other changes include the accounting effects of the EUR 200 million (full) subordinated loan which the bank received on 24 April 2019 from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu as an indefinite-term, non-dividend paying addition to its core capital pursuant to BRSA approval dated 22 April 2019 and (2) of financial assets valued at their amortized cost.

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity	
						1	2	3	4	5	6					
Unreviewed																
Prior Period (1 January – 30 September 2018)																
I.	Balances at Beginning Period	749.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	-	-	556.410
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)	749.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	-	-	556.410
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	334.358	-	334.358
V.	Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)		749.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	334.358	-	890.768

1. Tangible and Intangible Assets Revaluation Reserve

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

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

4. Exchange Differences on Translation

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

6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)

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

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

	Reviewed Current Period 1 January - 30 September 2019	Unreviewed Prior Period 1 January - 30 September 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes In Operating Assets And Liabilities	81.358	224.875
1.1.1 Profit Share Income Received	205.977	22.122
1.1.2 Profit Share Expense Paid	(63.791)	-
1.1.3 Dividend Received	-	-
1.1.4 Fees and Commissions Received	391	2
1.1.5 Other Income	35.749	275.631
1.1.6 Collections from Previously Written off Loans	(17)	16.701
1.1.7 Payments to Personnel and Service Suppliers	(96.923)	(4.499)
1.1.8 Taxes Paid	(16.994)	(87.149)
1.1.9 Others	16.966	2.067
1.2 Changes in Operating Assets and Liabilities	(660.375)	(91.231)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(866.805)	-
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(250.330)	-
1.2.3 Net (Increase) Decrease in Loans	(3.525.870)	-
1.2.4 Net (Increase) Decrease in Other Assets	105.261	(55.051)
1.2.5 Net Increase (Decrease) in Bank Deposits	92.661	-
1.2.6 Net Increase (Decrease) in Other Deposits	3.726.816	-
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed	9.799	-
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	48.093	(36.180)
I. Net Cash Flows from Banking Operations	(579.017)	133.644
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(1.069.728)	8
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	(50.381)	17
2.4 Disposals of Property and Equipment	101	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(7.659)	-
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.7 Purchase of Financial Assets Measured at Amortised Cost	(998.749)	-
2.8 Sale of Financial Assets Measured at Amortised Cost	-	-
2.9 Other	(13.040)	(9)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Flows from Financing Activities	1.050.062	-
3.1 Cash Obtained from Funds Borrowed and Securities Issued	1.026.532	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3 Issued Capital Instruments	23.088	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	-	-
3.6 Other	442	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	229	110.169
V. Net (Decrease) Increase in Cash and Cash Equivalents	(598.454)	243.821
VI. Cash and Cash Equivalents at the Beginning of the period	654.087	459.653
VII. Cash and Cash Equivalents at the End of the period	55.633	703.474

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

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SECTION THREE

Accounting Policies

I. Explanations on basis of presentation

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

The 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 Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The consolidated financial statements have been prepared in thousand TL, under the historical cost method except for the financial assets and liabilities measured at fair value.

The accounting policies used and the valuation principles used in the preparation of the consolidated financial statements are presented in detail below.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the use of certain critical accounting estimates and assumptions 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 and assumptions include fair value calculation of financial instruments and impairment of financial assets are being reviewed regularly and, when necessary, adjustments are made and the effects of these adjustments are reflected to the statement of profit or loss.

As of 1 January 2018, the Bank has complied with TFRS 9 Financial Instruments (“TFRS 9”) standard regarding the classification and measurement of financial assets and is exempt from the provision for impairment. The current period financial statements of the Bank are presented in the financial statements format applicable to banks which do not apply TFRS 9 as explained by BRSA.

The Bank has applied to the Banking Regulation and Supervision Agency in the frame of the paragraph 6 of Article 9 of the “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Paid for These Loans” which entered into force on 1 January 2018 to get the permission for the additional time until the preparation of the conditions that would be eligible for provision regarding to TFRS 9 instead of application of TFRS 9 and the allocate it under Article 10, 11, 13 and 15 of the Regulation. The BRSA issued a positive response to the application of the Bank on 7 May 2019, the Bank has obtained permission for the implementation of the current standard until 30 April 2020. Within the scope of this permission, TFRS 9 has not been implemented as of 30 September 2019. The Bank recognizes its specific and general provisions in accordance with the relevant articles of the Regulation.

b. Accounting policies and valuation principles applied in the presentation of financial statements

The accounting policies and valuation principles applied in the preparation of consolidated financial statements are determined and applied in accordance with BRSA Accounting and Financial Reporting Legislation. These accounting policies and valuation principles are explained in Notes II to XXIV below.

As of 30 September 2019, the amendments to TFRS 16 and other amendments to TAS / TFRS do not have an impact on the Bank's accounting policies, financial position or performance.

c. Restatement of the financial statements according to the current purchasing power of money

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

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

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

The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

Foreign currency loans, which are accounted for in the loans under follow-up accounts and foreign currency loans and receivables, which are provided from similar sources of the bank, are transferred to related follow-up accounts and the exchange rates are valued there and they can be tracked in Turkish Currency accounts.

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

There are no foreign currency differences capitalized by the Bank.

III. Information on consolidated associates

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated 8 November 2006 and the "Consolidated Financial Statements" ("IFRS 10").

a. Consolidation principles for subsidiaries

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Subsidiaries will be excluded from the scope of consolidation at the date that control is over. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 100% consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

Emlak Varlık Kiralama A.Ş. was established and registered to the trade registry in 5 August 2019 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Emlak Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. Emlak Varlık Kiralama A.Ş. was established on 5 August 2019 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 5 August 2019.

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III. Information on consolidated associates (continued)

a. Consolidation principles for subsidiaries (continued)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Emlak Varlık Kiralama A.Ş.	İstanbul/Türkiye	Lease Certificate Issue	100	100

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements

The Group has no unconsolidated subsidiaries, associates or joint ventures.

IV. Explanations on forward, option contracts and derivative instruments

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

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

V. Explanations on profit share income and expenses

Profit share income

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

The Bank has not applied TFRS 9 within the scope of 10th substance of article which published in Official Gazette dated 22 June 2016 and numbered 29750 entered into force as of 1 January 2018 “Regulation on the classification of loans and provisions to be reserved for them” and application to “Banking Regulation and Supervision Agency”. Due to the fact that TFRS 9 is not applied, loans which are considered as non-performing loans are not subject to remeasurement and no profit share accrual or rediscount is made for them.

Profit share expense

The Bank recognizes its profit share expenses on an accrual basis. The expense accrual calculated using the unit value calculation on profit and loss sharing accounts is presented under the “Funds Collected” account in the balance sheet.

VI. Explanations on fees, commission income and expenses

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

VII. Explanations on financial assets

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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VII. Explanations on financial assets (continued)

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. The accumulated fair value differences that are reflected in shareholders' equity are reflected in the income statement when the stated securities are collected or disposed.

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

Financial assets measured at amortized cost

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

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

Loans

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

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

VIII. Explanations on impairment of financial assets

Loans are financial assets raised through lending without having the intention to trade in the short term.

The Bank recognizes loans and receivables at initial recognition costs and is subsequently measured at amortized cost using the effective profit share rate method.

In case of the loan portfolio is monitored at regular intervals and there are suspicions that the loans cannot be collected by the Bank's management, loans which have been considered to be problematic reclassified in accordance with the amendments to the "Communique Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" (Provisions Regulation) ". The Bank realizes classification and provision transactions in accordance with the provisions of the Provisions Regulation on the banks that not apply TFRS 9. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Provisions released in same year are recognized as a credit under the "Provision Expenses", released portion of the previous period provisions are recognized under "Other Operating Income" account Collections are accounted for under "Non-performing Loans (including collections from Doubtful Receivables)" and "Interest on Uncollectible Loans and Other Receivables" accounts. Besides the specific provisions, the Bank provided general loan loss provision for loans and other receivables in accordance with the relevant regulations. The amount of the provision is recognized by reversing the provision for the current period and the remaining amount is recorded as income from the previous year's expenses in the collection accounts.

The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

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IX. Explanations on offsetting of financial instruments

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

X. Explanations on sale and repurchase agreements and lending of securities

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

XI. Explanations on assets held for sale and discontinued operations and liabilities related to these assets

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

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

A discontinued operation is a part of the Bank’s business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

XII. Explanations on goodwill and other intangible assets

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 “Turkish Accounting Standards for Intangible Assets”.

As of the 30 September 2019, there is no goodwill in the financial statements of the Bank (31 December 2018: None). The Bank’s intangible assets consist of software and intangible rights.

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

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

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XIII. Explanations on tangible assets

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

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

	Depreciation Rate (%)
Computers	10-33
Furniture and equipment	20
Other moveables	7-33
Vehicles	20
Intangible assets (Rights)	7-33

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

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

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

XIV. Explanations on leasing transactions

The Bank has started to apply TFRS 16 Leases standard starting from 1 January 2019.

The Bank recognizes the right of use and the rent obligation on the financial statements at the effective date of the lease. The right of use is measured initially at cost value and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for the re-measurement of the lease obligation. TAS 36 Impairment of Assets is applied in order to determine whether the real estates that are entitled to use have been impaired and to recognize the impairment loss.

With the TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating leases and financial leases is eliminated and leases are presented as assets by the lessees under Tangible Assets and as liabilities under Liabilities from Leasing Transactions.

TFRS 16 introduces a single leasing accounting model for lessees. As a result, the Bank, as a lessee, has acquired the lease rights representing the lease rights representing the right to use the underlying asset and the lease payments to the financial statements. Accounting for the lessor is similar to the previous accounting policies.

The bank when valuing its leasing obligations, discounted its leasing payments using an alternative borrowing rate. The weighted-average rate applied is 17% for leasing agreements denominated in Turkish liras. The first time application impact of TFRS 16 are summarized below:

	1 January 2019	30 September 2019
Existence of right to use	-	22.236
Lease payables	-	21.727

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XIV. Explanations on leasing transactions (continued)

Existence of right to use

- The right to use asset is first recognized by cost method and includes:
- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Bank

When applying the cost method, the existence of the right to use:

- accumulated depreciation and accumulated impairment losses are deducted and
- measures the restatement of the lease obligation at the restated cost.

The Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment while depreciating the right to use assets.

The lease obligations

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank's average borrowing interest rates.

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

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

- Increase the book value to reflect the interest on the lease obligation
- Reduces the book value to reflect the lease payments made and
- The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

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

As of 30 September 2019, the Bank has no liability for the usage right arising from the lease transactions and leasing transactions.

XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

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

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

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XVI. Explanations on liabilities regarding employee rights

i) *Defined benefit plans:*

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

Provision for employee termination benefits is calculated at net present value of the estimated future probable obligation arising from the retirement of the employees in accordance with the Turkish Labor Law or the termination of the employee relationship by completing at least one year service, calling for military service, or in case of death.

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

Some of the bank employees are members of T.C. Ziraat Bankası A.Ş. ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı.

The Bank has no liabilities to these foundations (31 December 2018: None).

ii) *Defined contribution plans:*

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

iii) *Short term benefits to employees:*

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

XVII. Explanations on taxation

Current tax

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

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

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

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

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

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

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

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XVII. Explanations on taxation (continued)

Deferred tax

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

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

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

Transfer pricing

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

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

XVIII. Additional explanations on borrowings

There are no debt securities issued by the Bank.

XIX. Explanations on issued share certificates

None.

XX. Explanations on acceptances and availed drafts

None.

XXI. Explanations on government grants

None.

XXII. Explanations on segment reporting

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

XXIII. Explanations on investments in associates, subsidiaries and joint ventures

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

XXIV. Explanations on other matters

As of 31 December 2018, the provision balance amounting to TL 9.777, which is classified under Expected Loss Provisions under assets section in the statement of financial position as of 31 December 2018, has been reclassified under General Provisions under the liabilities in the balance sheet as of 31 December 2018 in compliance with current period financial statements.

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SECTION FOUR

Information on Financial Structure and Risk Management

I. Explanations on consolidated capital adequacy standard ratio

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2019, the Bank’s total capital has been calculated as TL 2.105.345 and capital adequacy standard ratio is 88,55%. As of 31 December 2018, Bank’s total capital amounted to TL 1.085.818 and capital adequacy ratio was 268,36%. The Bank’s capital adequacy standard ratio is above the minimum ratio required by the legislation.

a. Information on capital

	Current Period	Amounts related to treatment before 1 January 2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	750.000	-
Share issue premiums	-	-
Reserves	351.106	-
Gains recognized in equity as per TAS	-	-
Profit	28.562	-
Current Period Profit	28.562	-
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	1.129.668	-
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	-	-
Improvement costs for operating leasing	10.046	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	26.691	-
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	-	-
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	36.737	-
Total Common Equity Tier 1 Capital	1.092.931	-

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I. Explanations on consolidated capital adequacy standard ratio (continued)

a. Information on capital (continued)

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA(**)	986.185	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	986.185	-
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+Additional Tier I Capital)	2.079.116	-
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)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	26.229	-
Tier II Capital Before Deductions	26.229	-
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 declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	26.229	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.105.345	-
Deductions from Total Capital		
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 Five Years	-	-
Other items to be defined by the BRSA (-)	-	-

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I. Explanations on consolidated capital adequacy standard ratio (continued)

a. Information on capital (continued)

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 (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	2.105.345	-
Total Risk Weighted Amounts	2.377.541	-
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	45,97	-
Tier I Capital Adequacy Ratio (%)	87,45	-
Capital Adequacy Ratio (%)	88,55	-
BUFFERS		
Total buffer requirement (a+b+c)	2,5	-
a) Capital conservation buffer requirement (%)	2,5	-
b) Bank specific counter-cyclical buffer requirement (%)	-	-
c) Systemic important 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 (%)	41,47	-
Amounts Lower Than Excesses as per Deduction Rules		
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	-	-
Limits related to provisions considered in Tier II calculation	-	-
Amount arising from deferred tax assets based on temporary differences	94.149	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	35.584	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	26.229	-
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 January 1, 2018 and January 1, 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	-	-

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

(**) Pursuant to BRSA approval dated 22 April 2019, on 24 April 2019 the bank received a EUR 200 million (full) subordinated loan as an indefinite-term, non-dividend paying addition to its core capital from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu.

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I. Explanations on consolidated capital adequacy standard ratio (continued)

b. Details on subordinated liabilities

Issuer	Türkiye Varlık Fonu Piyasa İstikrar Ve Denge Alt Fonu
Unique Identifier (CUSIP, ISIN etc.)	TRT240424F22
Governing Law(s) of the Instrument	Regulation on Banks “Equity Communiqué on Principles Regarding Borrowing Instruments to be Included in Banks” Equity Calculation
Special Consideration in the Calculation of Equity	
As of 1 January 2015 consideration to be subject to a 10% reduction application status	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	1.046.258
Par Value of Instrument	1.310.942
Accounting Classification	Subordinated Loan
Original date of Issuance	24.04.2019
Perpetual or dated	Undated
Maturity date	24.04.2019
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: 24.05.2024 Total Repayment Amount: EUR 200 million (full)
Subsequent call dates	
Profit Share/Dividends	
Fixed or floating profit share/dividend	-
Profit share rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Optional
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	
If convertible, conversion trigger	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case of the ratio of core capital adequacy ratio fall below 5,125%
If write-down, full or partial	At least to ensure that the core capital ratio exceeds 5,125%
If write down, permanent or temporary	Permanent and Temporary
If temporary write-down, description of write-up mechanism	There is write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners
In compliance with article number 7 and 8 of “Own fund regulation”	In compliance with article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	In compliance with article number 7

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I. Explanations on consolidated capital adequacy standard ratio (continued)

c. Information on capital

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

II. Explanations on consolidated credit risk

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

III. Explanations on consolidated currency risk of the Bank

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

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

	USD	EURO
Balance sheet evaluation rate	5,6482	6,1699
27 September 2019	5,6615	6,1861
26 September 2019	5,6671	6,2014
25 September 2019	5,6920	6,2578
24 September 2019	5,6803	6,2452
23 September 2019	5,7225	6,2881

- e.** The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 5,7038 for 1 USD (December 2018: TL 5,2995), TL 6,2830 for 1 EUR (December 2018: TL 6,0319).

The Bank is mainly exposed to EUR and USD currency risks.

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III. Explanations on consolidated currency risk of the Bank (continued)

Information on currency risk of the Bank

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey.	152.459	50.654	48.840	251.953
Banks	14.047	484	2.649	17.180
Financial Assets At Fair Value Through Profit And Loss	524.724	166.604	25.477	716.805
Money market placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans	735.827	101.151	-	836.978
Subsidiaries, Associates And Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	1.004.288	-	-	1.004.288
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1	-	3	4
Total Assets	2.431.346	318.893	76.969	2.827.208
Liabilities				
Current account and funds collected from banks via participation accounts	1.317.320	366.234	28.250	1.711.804
Other current and profit sharing accounts	-	-	-	-
Money Market Borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.064.376	-	-	1.064.376
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other Liabilities ^(*)	11.252	1.726	-	12.978
Total Liabilities	2.392.948	367.960	28.250	2.789.158
Net balance sheet position	38.398	(49.067)	48.719	38.050
Net off balance sheet position				
Derivative financial instruments assets	56.750	49.907	48.849	155.506
Derivative financial instruments liabilities	56.750	49.907	48.849	155.506
Non-cash loans ^(**)	13.081	11.777	-	24.858
Prior Period				
Total Assets	50	1.907	-	1.957
Total Liabilities	-	515	-	515
Net balance sheet position	50	1.392	-	1.442
Net balance sheet position				
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans	-	-	-	-

^(*) Foreign Currency Expense Accruals of Derivative Financial Assets TL 408 are not included. There is no foreign currency Derivative Financial Liabilities.

^(**) Non-cash loans are not included in the foreign currency position accounts.

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IV. Explanations on consolidated position risk of equity securities in banking book

None. (31 December 2018: None)

V. Explanations on consolidated liquidity risk

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

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

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

The liquidity structure is evaluated in the framework of ALCO decisions for liquidity management and a placement strategy is developed. Liquidity risk management strategy is determined by considering both normal economic conditions and stress conditions

Risk Management Presidency, liquidity risk; periodically reports to the relevant unit, the relevant committee and the senior management with the methods of measurement of liquidity risk in compliance with the standards. It manages liquidity risk in accordance with the Bank's portfolio, strategic plans and policies and legal limits, and informs and coordinates the relevant parties on time. In accordance with the market conditions and the Bank's structure, the relevant liquidity risk measurement methods establish, assumptions and parameters used in liquidity risk analyzes are reviewed. Liquidity risk analyzes and important liquidity indicators are regularly reported to senior management. In the stress conditions are carried out in the framework of “Emergency Funding Plan”.

The Bank's high level management to determine management strategies for liquidity risk;

- follows obligations arising from domestic and foreign currencies,
- determine the concentration risks of placements,
- actively follows funding sources,
- consider the portfolio diversity,
- follow up the fund flows related to assets and liabilities depending on the maturities.

Market conditions are continuously follow and access problems for the bank's fund requirements are analyzed and the impact of sudden changes in fund sources is evaluated. Liquidity adequacy is measured by applying stress test to the factors affecting liquidity. Liquidity Risk Stress Test analyzes the compliance of the Bank's cash flow capacity to the cash flow capacity within the framework of the specified scenarios. The scenarios needed for stress tests are based on the changing balance sheet structure. The results are taken into consideration in determining the policies related to liquidity risk and in the preparation of an emergency action plan.

For the purpose of reducing the liquidity risk that the Bank may be exposed to compliance with the strategies implemented (monitoring of concentration, diversification of funding sources, high quality liquid assets, etc.) is monitored effectively by the senior management of the Bank taking into account legal and prudential limits. For non-mitigation risks, acceptance of the current risk level, reducing or terminating the risk-causing activity are evaluated.

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V. Explanations on consolidated liquidity risk (continued)

Liquidity coverage ratio

	Current Period	Rate of "Percentage to be taken into account" not Implemented Total value ⁽¹⁾		Rate of "Percentage to be taken into account" Implemented Total value ⁽¹⁾	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	HIGH QUALITY LIQUID ASSETS			1.955.579	1.797.217
CASH OUTFLOWS					
2	Retail and Small Business Funds Collected	44.237	14.005	4.027	1.401
3	Stable Funds Collected	7.940	-	397	-
4	Less stable Funds Collected	36.297	14.005	3.630	1.401
5	Unsecured Funding other than Retail and Small	1.122.773	838.444	626.835	495.375
6	Operational Funds Collected	-	-	-	-
7	Non-Operational Funds Collected	1.103.813	838.440	607.875	495.371
8	Other Unsecured Funding	18.960	4	18.960	4
9	Secured funding			-	-
10	Other Cash Outflows	67.829	61.787	67.829	61.787
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	67.829	61.787	67.829	61.787
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	238.357	10.025	205.560	501
16	TOTAL CASH OUTFLOWS			904.251	559.064
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.534.115	126.075	1.476.916	114.493
19	Other contractual cash inflows	67.574	31.928	67.574	31.928
20	TOTAL CASH INFLOWS	1.601.689	158.003	1.544.490	146.421
				Upper limit applied amounts	
21	TOTAL HQLA			1.955.579	1.797.217
22	TOTAL NET CASH OUTFLOWS			226.063	412.643
23	Liquidity Coverage Ratio (%)			865,06	435,54

⁽¹⁾ Average of the last Three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

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

Liquidity Coverage Ratio (%)	Current Period	
	TL+FC	FC
Lowest	349,08	160,43
Date	30 September 2019	5 August 2019
Highest	1.897,54	1.235,41
Date	5 July 2019	25 September 2019
Average	912,65	479,32

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V. Explanations on consolidated liquidity risk (continued)

Liquidity coverage ratio (continued)

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 0,09% cash, 11,33% deposits in central banks and 88,58% securities considered as high quality liquid assets.

The Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 78,32% funds collected, 20,05% funds borrowed, borrowings from money market and subordinated loans and 1,64% other funding sources.

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	285.971	-	-	-	-	-	-	285.971
Banks	17.515	-	-	-	-	-	-	17.515
Financial Assets at Fair Value Through Profit and Loss	-	-	-	467.393	413.350	2.778	-	883.521
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	7.659	7.659
Loans	-	2.495.592	435.057	613.720	-	-	-	3.544.369
Financial Assets Measured at Amortised Cost	-	-	-	-	1.004.288	-	-	1.004.288
Other Assets ⁽¹⁾	-	-	-	-	-	-	437.862	437.862
Total Assets	303.486	2.495.592	435.057	1.081.113	1.417.638	2.778	445.521	6.181.185
Liabilities								
Current account and funds collected from banks via participation accounts	-	290.092	92.661	-	-	-	-	382.753
Other current and profit sharing accounts	340.948	2.341.542	777.935	1.054	-	-	-	3.461.479
Funds provided from other financial institutions and subordinated loans	-	-	-	-	984.095	-	-	984.095
Funds borrowed	-	80.281	-	-	-	-	-	80.281
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Other liabilities ⁽²⁾	-	2.901	-	-	-	-	1.269.676	1.272.577
Total Liabilities	340.948	2.714.816	870.596	1.054	984.095	-	1.269.676	6.181.185
Liquidity Gap	(37.512)	(219.224)	(435.539)	1.080.059	433.543	2.778	(824.105)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	86.041	50.318	-	-	-	-	136.359
Financial Derivative Liabilities	-	86.041	50.318	-	-	-	-	136.359
Non-cash Loans	27.062	13	-	17.440	8.885	-	-	53.400
Prior Period								
Total Assets	6	657.595	-	-	-	-	481.197	1.138.798
Total Liabilities	-	-	-	-	-	-	1.138.798	1.138.798
Liquidity Gap	6	657.595	-	-	-	-	(657.601)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	-	-	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-	-	-	-
Non-cash Loans	-	-	-	-	-	-	-	-
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-

⁽¹⁾ Unallocated other assets column consist of assets held for sale, investment in associates, tangible and intangible assets, current and deferred tax assets and other assets.

⁽²⁾ Unallocated other liabilities column consists of equity and provision balances.

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VI. Explanations on consolidated Leverage Ratio

	Current Period^(**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*)	5.239.372
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	115.628
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué	-
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-
Total Risk Amount	5.615.499

^(*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué “Preparation of Consolidated Financial Statements”.

^(**) Represents average of the three months.

As of 30 September 2019, leverage ratio of the Bank calculated from the arithmetic average of the last nine months is 37,42%. Leverage ratio is required to remain minimum 3% as per “Communiqué on Measurement and Evaluation for Leverage Ratios of Banks”.

	Current Period⁽¹⁾
Balance sheet assets	
1 Balance sheet assets (except for derivative financial instruments and credit derivatives, including warranties)	5.238.977
2 (Assets deducted from main capital)	31.542
3 Total risk related to balance sheet assets (1+2)	5.207.435
Derivative financial instruments and credit derivatives	
4 Replacement cost of derivative financial instruments and credit derivatives	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	987
6 Total risk amount of derivative financial instruments and credit derivatives (4 +5)	987
Security or secured financing transactions	
7 Risk amount of security or secured financing transactions (except balance sheet)	-
8 Risk amount due to intermediated transactions	-
9 Total risk of security or secured financing transactions (7+8)	-
Off-balance sheet transactions	
10 Gross nominal amount of off-balance sheet transactions	407.077
11 (Adjustment amount resulting from multiplying by credit conversion rates)	-
12 Total risk due to off-balance sheet transactions (10+11)	407.077
Equity and total risk	
13 Main capital	2.101.421
14 Total risk amount (3+6+9+12)	5.615.499
Leverage ratio	
15 Leverage ratio (%)	37,42

⁽¹⁾ Table represents three month average amounts.

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VII. Explanations on Presentation of Consolidated Financial Assets and Liabilities at Fair Value

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VIII. Explanations Regarding the Activities Carried Out on Behalf and Account of Other Persons

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

IX. Explanations on Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to Public by Banks, promulgated in the Official Gazette, No. 29511, dated 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for credit risk in the calculation of capital adequacy by the Bank, tables required by Internal Rating Based approach (“IRB”) are not presented.

-RWA flow statements of CCR exposures under the Internal Model Method (IMM)

-RWA flow statements of credit risk exposures under IRB

-RWA flow statements of market risk exposures under an IMA

Overview of risk-weighted assets

	Risk weighted amount		Minimum capital requirement
	Current period	Prior period	Current period
1 Credit risk (excluding counterparty credit risk)	2.097.793	403.166	167.823
2 Standard approach	2.097.793	403.166	167.823
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	478	-	38
5 Standard approach for counterparty credit risk	478	-	38
6 Internal model method	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies –look-through approach	-	-	-
9 Investments made in collective investment companies-mandate-based approach	-	-	-
10 Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/Simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	279.270	1.443	22.342
17 Standard approach	279.270	1.443	22.342
18 Internal model approaches	-	-	-
19 Operational risk	-	-	-
20 Basic indicator approach	-	-	-
21 Standard approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	2.377.541	404.609	190.203

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X. Explanations on Consolidated Operating Segments

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Current period	Retail banking	Corporate and Commercial Banking	Treasury	Unallocated	Total
Operating income	-	-	273.362	19.401	292.763
Operating expense	1.253	84.009	23.601	145.949	254.812
Profit before tax	(1.253)	(84.009)	249.761	(126.548)	37.951
Tax provision	-	-	-	9.389	9.389
Net profit/loss	(1.253)	(84.009)	249.761	(135.937)	28.562
Total assets	-	-	5.743.731	437.454	6.181.185
Total liabilities	73.737	3.770.495	1.064.831	1.272.122	6.181.185

The Bank received permission to operate in accordance with the Banking Regulation and Supervision Agency's dated 26 February 2019 and numbered 8262 decision which published in dated 27 February 2019 and numbered 30699 Official Gazette and started operations as of 21 March 2019. As a consequence of Bank started Banking operations as of 21 March 2019, no explanations related to the operation segments for the previous period were presented.

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SECTION FIVE

Explanations and notes on the consolidated financial statements

I. Explanations and notes related to consolidated assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign currency	319	2.183	6	-
CBRT	33.699	246.884	-	-
Other	-	2.886	-	-
Total	34.018	251.953	6	-

b. Information related to CBRT

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	32.662	68	-	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Reserve requirements	1.037	246.816	-	-
Total	33.699	246.884	-	-

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

As of 30 September 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1% to 7% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 21% depending on maturity of deposits.

i. Information about banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks				
Domestic	335	13.967	655.638	1.957
Foreign	-	3.213	-	-
Foreign head Office and branches	-	-	-	-
Total	335	17.180	655.638	1.957

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I. Explanations and notes related to consolidated assets (continued)

ii. Financial assets measured at fair value through profit or loss

a. Financial assets subject to repurchase agreements and provided as collateral/blocked

As of 30 September 2019, there is not any amount subject to repurchase agreements in financial assets at fair value through profit and loss (31 December 2018: None).

As of 30 September 2019, there is not any amount subject to guaranteed/blocked (31 December 2018: None)

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

	Current Period	Prior Period
Debt securities	883.855	-
Quoted on a stock exchange	703.698	-
Unquoted	180.157	-
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment provision (-)	(334)	-
Total	883.521	-

4. Financial assets measured at fair value through other comprehensive income

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

As of 30 September 2019, there is not any amount subject to repurchase agreements (31 December 2018: None).

As of 30 September 2019, there is not any amount subject to guaranteed/blocked (31 December 2018: None).

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

	Current period	Prior period
Debt securities	-	-
Quoted in stock exchange	-	-
Not quoted in stock exchange	-	-
Share certificates	7.659	-
Quoted in stock exchange	-	-
Not quoted in stock exchange ^(*)	7.659	-
Impairment provision (-)	-	-
Total	7.659	-

^(*)Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 7.659.

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I. Explanations and Notes Related to Consolidated Assets (Continued)

5. Information on derivative financial assets

a. Positive differences related to the derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	-	408	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	408	-	-

6. Information on loans

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

None (31 December 2018: None).

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

Cash loans Current period	Standard loans	Loans under close monitoring		
		Not under the scope of restructuring or rescheduling	Restructured Amendments to terms or contracts	Refinancing
Loans	3.544.369	-	-	-
Export loans	-	-	-	-
Import loans	1.899	-	-	-
Business loans	1.311.232	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	2.078.432	-	-	-
Other	152.806	-	-	-
Other receivables	-	-	-	-
Total	3.544.369	-	-	-

There are no loans under close monitoring as of 30 September 2019 (31 December 2018: None).

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I. Explanations and Notes Related to Consolidated Assets (Continued)

6. Information on loans (Continued)

c. Maturity analysis of cash loans

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

d. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards

None (31 December 2018: None)

e. Information on commercial loans with installments and corporate credit cards

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TL	788	39.002	39.790
Business loans	-	-	-
Vehicle loans	788	39.002	39.790
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans-FC indexed	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	-	-	-
Total	788	39.002	39.790

31 December 2018: None.

f. Allocation of loans by customers

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

g. Breakdown of domestic and foreign loans

	Current period	Prior period
Domestic loans	3.544.369	-
Foreign loans	-	-
Total	3.544.369	-

h. Loans granted to subsidiaries and associates

None (31 December 2018: None)

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I. Explanations and Notes Related to Consolidated Assets (Continued)

6. Information on loans (Continued)

i. Specific provisions for loans

	Current Period	Prior Period
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	188.365	188.343
Total	188.365	188.343

j. Information on non-performing loans (net)

j.1. Non-performing loans and receivables which are restructured or rescheduled

None (31 December 2018: None).

j.2. Movements of total non-performing loans

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Closing balance of prior period	-	-	188.343
Additions in the current period (+)	-	-	39
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	17
Exchange rate valuation	-	-	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	-	-	188.365
Provisions (-)	-	-	188.365
Net balance at the balance sheet	-	-	-

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period			
Closing balance of prior period	-	-	1.303.781
Additions in the current period (+)	-	-	10.075
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	(18.711)
Exchange rate valuation	-	-	55.036
Write offs (-)(*)	-	-	(1.161.838)
Corporate and commercial loans	-	-	-
Retail loans	-	-	(220)
Credit cards	-	-	-
Other	-	-	(1.161.618)
Closing balance of the current period	-	-	188.343
Provisions (-)	-	-	188.343
Net balance at the balance sheet	-	-	-

(*) The Bank makes provisions for the entire non-performing loan portfolio, and has sold from its non performing loan portfolio amounting to TL 1.161.838 to Birleşim Varlık Yönetimi A.Ş (Asset Management Company) for TL 7.700.

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I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

j.3. Non-performing loans in foreign currencies

None (31 December 2018: None).

j.4. Gross and net amounts of non-performing loans according to user groups

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible Loans
Current period (net)	-	-	-
Loans to individuals and corporates (gross)	-	-	188.365
Provision (-)	-	-	188.365
Loans to individuals and corporates (net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks(Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision (-)	-	-	-
Other loans (net)	-	-	-
Prior period (net)	-	-	-
Loans to individuals and corporates (gross)	-	-	188.343
Specific provision (-)	-	-	188.343
Loans to individuals and corporates (net)	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

k. Liquidation policy for uncollectible loans and other receivables

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

l. Information on write-off policies

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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I. Explanations and notes related to consolidated assets (continued)

7. Explanations on financial assets measured at amortised cost

a. Information on related to government securities measured at amortised cost

	Current Period	Prior Period
Debt securities	1.004.288	-
Quoted on a stock exchange	-	-
Unquoted	1.004.288	-
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment provision (-)	-	-
Total	1.004.288	-

b. Information related to financial assets measured at amortised cost

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities ^(*)	1.004.288	-
Total	1.004.288	-

^(*) At the date of initial recognition, in accordance with TFRS 9 and TFRS 13, the Bank recognized those securities in their fair values, using the fair values of similar financial assets at that date. In accordance with TFRS 9 and TFRS 13, the Bank booked these debt securities having calculated their fair value using the prices of similar financial assets as of the balance sheet date.

c. Movements of the government securities measured at amortised cost

	Current Period	Prior Period
Balance at beginning of period	-	-
Foreign currency differences on monetary assets	(53.744)	-
Purchases during period ^(*)	1.058.032	-
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing balance	1.004.288	-

^(*) Accruals are shown in "Purchases during period" line.

8. Explanations on lease receivables (Net)

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

None (31 December 2018: None).

b. Information on net investments through finance lease

None (31 December 2018: None).

c. General explanation on finance lease contracts

None (31 December 2018: None).

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I. Explanations and notes related to consolidated assets (continued)

9. Information on assets held for sale and assets of discontinued operations

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

	Current period	Prior period
Opening balance	36.722	22.679
Additions	-	14.043
Disposals	(1.449)	-
Transfers	-	-
Impairment provision(-)/Reversal of impairment provision	-	-
Closing balance	35.273	36.722

10. Information on Ownership Investments

a. Information on Associates

a.1. Information on unconsolidated associates

In the Audit Report dated October 31, 2018, Emlak Menkul Değerler A.Ş., which is owned by the Parent Bank at a rate of 50%, is reported to be bankrupt. As of 30 September 2019 and 31 December 2018, it is not included in the scope of consolidation.

a.2. Information on consolidated associates

As of 30 September 2019, the Bank does not have any consolidated associates (31 December 2018: None).

b. Information on subsidiaries (net)

b.1. Information on unconsolidated subsidiaries

As of 30 September 2019, the Group does not have any unconsolidated subsidiaries (31 December 2018: None).

b.2. Information on consolidated subsidiaries

Emlak Varlık Kiralama A.Ş. was established and registered to the trade registry in 5 August 2019 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Emlak Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. Emlak Varlık Kiralama A.Ş. was established on 5 August 2019 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 5 August 2019.

Name	Address (City/Country)	Operating Subject	Active Share Percentages (%)	Direct and Indirect Share Percentages (%)
Emlak Varlık Kiralama A.Ş.	İstanbul/Turkey	Lease Certificate Issue	100	100

b.2.1 Movement schedule on subsidiaries

	Current Period	Prior Period
Amount at the beginning of the period	-	-
Movements inside the term	50	-
Purchases / new incorporations / capital increases	50	-
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	50	-
Capital commitments	-	-
Share of the capital at the end of the period (%)	100	-

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I. Explanations and notes related to consolidated assets (continued)

11. Information on subsidiaries (net)

c. Information on investments in joint-ventures

None (31 December 2018: None).

12. Information on tangible assets

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

13. Information on intangible assets

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

14. Information on investment property

None (31 December 2018: None).

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I. Explanations and notes related to consolidated assets (continued)

16. Information related to deferred tax asset

	Current period	Prior period
Deferred tax provision for transferred financial loss	91.729	100.964
Provisions for retirement premium and vacation pay liabilities	1.107	981
Other provisions for debts and expense	493	3.657
IFRS 16 allowance	42	-
Prepaid wages and commissions and unearned income	2.800	-
Subordinated loan	589	-
Derivative transactions	100	-
Deferred tax asset	96.860	105.602
Revaluation difference of properties	2.458	1.827
Rediscount on profit share	237	237
Rediscount on derivative financial instruments	16	-
Deferred tax liability	2.711	2.064
Deferred tax asset (Net)	94.149	103.538

The time limits for deferred tax losses are as follows:

	Current period	Prior period
2023	458.645	504.819
Losses brought forward	458.645	504.819

17. Breakdown of items in other assets except commitments presented in off-balance sheet, which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

	Current Period	Prior Period
Receivables from Public Institutions and Cooperations (*)	175.700	175.700
Other	46.402	43.825
Total	222.102	219.525

(*) Includes receivables from Ministry of Treasury and Finance, General Directorate of Highways and Housing Development Administration.

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II. Explanations and Notes Related to Consolidated Liabilities

1. Information on funds collected

a. Information on maturity structure of funds collected

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	1.795	-	-	-	-	-	-	-	1.795
II. Real persons profit sharing accounts TL	-	2.088	33.108	665	-	4.760	-	-	40.621
III. Other current accounts-TL	24.819	-	-	-	-	-	-	-	24.819
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	24.644	-	-	-	-	-	-	-	24.644
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	175	-	-	-	-	-	-	-	175
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	121.466	1.902.544	27.367	-	13.565	251	-	2.065.193
Public sector	-	101.425	-	-	-	-	-	-	101.425
Commercial sector	-	20.041	1.897.005	27.367	-	13.565	251	-	1.958.229
Other institutions	-	-	5.539	-	-	-	-	-	5.539
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	17.958	-	-	-	-	-	-	-	17.958
VI. Real persons profit sharing accounts-FC	-	185	13.178	-	-	-	-	-	13.363
VII. Other current accounts-FC	135.081	-	-	-	-	-	-	-	135.081
Commercial residents in Turkey	135.081	-	-	-	-	-	-	-	135.081
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	-	1.331.760	82.525	-	74.139	28.728	-	1.517.152
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	-	691.877	70.026	-	61.823	28.728	-	852.454
Other institutions	-	-	257.130	-	-	-	-	-	257.130
Commercial and other institutions	-	-	-	12.499	-	12.316	-	-	24.815
Banks and participation banks	-	-	382.753	-	-	-	-	-	382.753
IX. Precious metal funds	241	5.920	19.731	2.358	-	-	-	-	28.250
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	179.894	129.659	3.300.321	112.915	-	92.464	28.979	-	3.844.232

There are no funds collected amount in the prior period.

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

1. Information on funds collected (continued)

b. Information on participation fund under the guarantee of insurance

b.1. Exceeding the limit of insurance fund

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

	Under the guarantee of insurance		Exceeding the guarantee of insurance	
	Current period	Prior period	Current period	Prior period
Real persons' current and participation accounts not subject to trading transactions	15.787	-	58.742	-
Turkish Lira accounts	12.148	-	30.268	-
Foreign currency accounts	3.639	-	28.474	-
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Foreign Branches' Profit Sharing Accounts and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	1.187	-
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Offshore Banking Activities	-	-

2. Information on borrowings

a.1 Information on types of borrowings

	Current period		Prior period	
	TL	FC	TL	FC
Syndication loans	-	-	-	-
Wakale loans	-	80.281	-	-
Loans obtained from Issued Lease (Sukuk)	-	-	-	-
Other	-	-	-	-
Total	-	80.281	-	-

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

2. Information on borrowings (continued)

a.2 Information on banks and other financial institutions

	Current period		Prior period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	80.281	-	-
Loans from foreign banks, institutions and funds	-	-	-	-
Total	-	80.281	-	-

a.3 Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	80.281	-	-
Medium and long-term	-	-	-	-
Total	-	80.281	-	-

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

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

3. Information on derivative financial liabilities

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	455	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	455	-	-	-

4. Lease payables

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than a year	2.870	-	-	-
1 to 5 years	9.240	-	-	-
Over 5 years	9.617	-	-	-
Total	21.727	-	-	-

5. Information on hedging derivative financial liabilities

None (31 December 2018: None).

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

6. Information on provisions

a. Information on provisions for employee rights

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 1.807 (31 December 2018: TL 1.284), vacation pay liability amounting to TL 723 (31 December 2018: TL 153), performance premium amounting to TL 2.500 (31 December 2018: 3.025) and totaling to TL 5.030 (31 December 2018: 4.462).

The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	3,57	3,57

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

	Current Period	Prior Period
Prior period ending balance	1.284	1.319
Change in the period	523	239
Actuarial (gain)/loss	-	(274)
Balance at the end of the period	1.807	1.284

b. Other provisions

	Current Period	Prior Period
Provisions for cases on trial	3.087	16.623
Total	3.087	16.623

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

None (31 December 2018: None).

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

6. Information on provisions (continued)

d. Information on general provisions

	Current period	Prior period
General provisions		
I. Group Loans and receivables (Total)	54.545	9.777
Participation accounts' share	18.962	-
Bank's share	35.583	9.777
Other	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
II. Group loans and receivables (Total)	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
Non-cash loans	-	-
Other	-	-

7. Information on taxes payable

a. Explanations on current tax liability

a.1. Explanations on tax provisions

As of 30 September 2019, the Bank has no remaining tax liability after offsetting prepaid corporate tax (31 December 2018: None).

a.2. Information on taxes payable

	Current Period	Prior Period
Banking insurance transaction tax	1.947	855
Income tax deducted from wages	1.755	420
Taxation on securities income	1.146	-
Value added tax payable	447	10
Taxation on real estate income	62	-
Foreign exchange transaction tax	3	-
Corporate taxes payable	-	-
Other	87	63
Total	5.447	1.348

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

7. Information on taxes payable (continued)

a. Explanations on current tax liability (continued)

a.3. Information on premiums

	Current Period	Prior Period
Social security premiums-employer	574	138
Social security premiums-employee	909	198
Bank pension fund premium-employer	-	-
Bank pension fund premium-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Pension fund membership fees and provisions-employee	-	-
Unemployment insurance-employer	41	10
Unemployment insurance-employee	82	20
Other	137	-
Total	1.743	366

8. Liabilities for assets held for sale and discontinued operations

None (31 December 2018: None).

9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	984.095	-	-
Subordinated loans	-	984.095	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Total	-	984.095	-	-

Pursuant to BRSA approval dated 22 April 2019, on 24 April 2019 the bank received a EUR 200 million (full) subordinated loan as an indefinite-term, non-dividend paying addition to its core capital from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu (31 December 2018: None).

10. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

None (31 December 2018: None).

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II. Explanations and Notes Related to Consolidated Liabilities (continued)

11. Information on shareholders' equity

a. Presentation of paid-in capital

	Current Period	Prior Period
Common stock	750.000	750.000
Preferred stock	-	-

b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	750.000	750.000

c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period

There are no capital increase in the current period.

d. Information on share capital increases from capital reserves during the current period

There is no share capital increase from capital reserves during the current period.

e. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments

There are no capital commitments until the end of the last fiscal year and following interim period.

f. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

g. Information on privileges given to stocks representing the capital

There is no privilege given to stocks representing the capital.

h. Information on marketable securities valuation reserve

None (31 December 2018: None).

i. Information on other capital reserves

None (31 December 2018: None).

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III. Explanations and Notes Related to Consolidated Off-Balance Sheet

1. Explanations on off balance sheet

a. Type and amount of irrevocable loan commitments

	Current Period	Prior Period
Commitments for credit card limits	407.014	-
Asset purchase and sale commitments	77.423	-
Payment commitments for cheques	380	-
Tax and funds liabilities arising from export commitments	-	-
Commitments for promotions related with credit cards and banking activities	-	-
Other irrevocable commitments	-	-
Total	484.817	-

b. Type and amount of possible losses and commitments arising from off-balance sheet items

b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit

	Current Period	Prior Period
Letters of guarantees	53.400	-
Bank loans	-	-
Letters of credit	-	-
Other guaranties and sureties	-	-
Total	53.400	-

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Letters of guarantees	1.804	-
Temporary letters of guarantees	29.276	-
Advance letters of guarantees	16.585	-
Letters of guarantees given to customs	5.735	-
Other guaranties and sureties	-	-
Total	53.400	-

c. Total Within the Non-cash Loans

c.1 Within the Non-cash Loans

	Current Period	Prior Period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	484.817	-
Total	484.817	-

c.2 Sectoral risk concentration of non-cash loans

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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III. Explanations and Notes Related to Consolidated Off-Balance Sheet (continued)

1. Explanations on off balance sheet (continued)

c. Total Within the Non-cash Loans (continued)

c.3 Information on the non-cash loans classified in Group I and Group II

Not prepared in compliance with the 25th article of the Communique about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

2. Explanations on derivative transactions

Not prepared in compliance with the 25th article of the Communique about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

3. Explanations on contingent assets and liabilities

Not prepared in compliance with the 25th article of the Communique about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

4. Explanations on services rendered on behalf of third parties

Not prepared in compliance with the 25th article of the Communique about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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

1. Information on profit share income

a. Information on profit share income received from loans

	Current period		Prior period	
	TL	FC	TL	FC
Profit share received from loans				
Short term loans	142.106	463	-	-
Medium and long term loans	30.551	5.980	-	-
Profit share on non-performing loans	-	-	-	-
Total	172.657	6.443	-	-

b. Information on profit share income received from banks

	Current period		Prior period	
	TL	FC	TL	FC
CBRT	1.548	-	-	-
Domestic banks	34.222	-	-	-
Foreign banks	-	-	-	-
Head offices and branches abroad	-	-	-	-
Total	35.770	-	-	-

c. Information on profit share income received from marketable securities

	Current period		Prior period	
	TL	FC	TL	FC
Financial assets measured at fair value through profit/loss	7.814	10.261	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortised cost	-	20.201	-	-
Total	7.814	30.462	-	-

d. Information on profit share income received from associates and subsidiaries

None (31 December 2018: None).

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

2. Explanations on profit share expenses

a. Distribution of profit share expense on funds collected based on maturity of funds collected

Account name	Profit sharing accounts						Accumulated profit sharing account	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	More than 1 year		
TL								
Funds collected from banks through current and profit sharing accounts	-	743	-	-	-	-	-	743
Real person's non-trading profit sharing accounts	70	1.085	26	-	10	-	-	1.191
Public sector profit sharing accounts	1.719	3.524	-	-	-	-	-	5.243
Commercial sector profit sharing accounts	778	47.057	2.352	-	467	7	-	50.661
Other institutions profit sharing accounts	491	18.481	240	-	-	-	-	19.212
Total	3.058	70.890	2.618	-	477	7	-	77.050
FC								
Banks	-	1.756	-	-	-	-	-	1.756
Real person's non-trading profit sharing accounts	1	63	-	-	-	-	-	64
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	180	4.418	562	-	98	39	-	5.297
Other institutions profit sharing accounts	36	985	-	-	-	-	-	1.021
Precious metals deposit	6	44	24	-	-	-	-	74
Total	223	7.266	586	-	98	39	-	8.212
Grand total	3.281	78.156	3.204	-	575	46	-	85.262

b. Information on profit share expense paid to funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Banks	-	701	-	-
CBRT	-	-	-	-
Domestic banks	-	463	-	-
Foreign banks	-	238	-	-
Head offices and branches abroad	-	-	-	-
Other institutions	-	21.726	-	-
Total	-	22.427	-	-

c. Profit share expense paid to associates and subsidiaries

None (31 December 2018: None).

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

2. Explanations on profit share expenses (continued)

d. Profit share expenses paid to marketable securities issued

None (30 September 2018: None).

3. Information on dividend income

None (30 September 2018: None).

4. Explanations on trading income/loss (net)

	Current period	Prior period
Income	146.132	259.202
Income from capital market transactions	17.044	-
Income from derivative financial instruments	7.744	-
Foreign exchange income	121.344	259.202
Loss (-)	127.399	461
Income from capital market transactions	288	-
Income from derivative financial instruments	12.412	-
Foreign exchange income	114.699	461
Trading Income/Loss (net)	18.733	258.741

5. Explanations related to other operating income

	Current period	Prior period
Income from sale of assets	1.323	189
Reversal of prior year provisions	17.956	16.701
Reversal of communication expenses provision	25	-
Other income	97	-
Total	19.401	16.890

6. Loan provisions

	Current period	Prior period
Specific Provisions	-	-
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	-	-
General provisions	44.825	-
Marketable securities impairment expense	-	-
Financial assets measured at fair value through profit/loss	-	-
Financial assets measured at fair value through other comprehensive income	-	-
Impairment provision for associates, subsidiaries and joint ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Other	-	-
Total	44.825	-

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

7. Information on other operating expenses

	Current period	Prior period
Provision for retirement pay liability	371	-
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	3.225	36
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	7.916	1
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and assets of discontinued operations	-	-
Other operational expenses	28.974	877
Lease Expenses Related to TFRS 16 Exemptions	3	167
Maintenance expenses	1.090	56
Advertisement expenses	3.696	-
Other expenses ⁽¹⁾	24.185	654
Loss on sale of assets	-	-
Other ⁽²⁾	11.045	790
Total	51.531	1.704

⁽¹⁾ Breakdown of "other operating expenses" are provided below:

	Current period	Prior period
Lawsuit and court expenses	14.731	37
Communication expenses	1.526	34
Expense share for common expenses	1.512	10
Cleaning expenses	1.045	182
Heating, lighting and water expenses	1.028	57
Vehicle expenses	716	138
Stationery expenses	451	11
Representation and hosting expenses	259	11
Securities insurance expenses	190	32
Other	2.727	142
Total	24.185	654

⁽²⁾ Breakdown of "other" items are provided as below:

	Current period	Prior period
Taxes, duties, charges and funds	7.261	321
Saving deposit insurance fund	1.578	77
Institution and union participation share expense	1.329	392
Audit and consultancy fees	50	-
Other	827	-
Total	11.045	790

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

8. Explanations on income/loss from continued and discontinued operations before taxes

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

9. Explanations on tax provision for continued and discontinued operations

As of 30 September 2019, the Bank has deferred tax expense amounting to TL 13.274 and deferred tax income amounting to TL 3.885.

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

11. Explanations on net income/loss

a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period

None.

V. Explanations and notes related to consolidated the statement of changes in shareholders' equity

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VI. Explanations and notes related to consolidated the statement of cash flows

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VII. Explanations related to the risk group of the Parent Bank

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period

None (31 December 2018: None).

a.1. Information on current and profit sharing accounts of the Bank's risk group

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and Indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	49	-	-	-	-	-
Profit share expense	-	-	-	-	-	-

a.2. Information on forward and option agreements and other similar agreements with related parties

The Bank does not have forward and option agreements with the risk group of the Bank.

As of 30 September 2019, the Bank has paid TL 4.411 (30 September 2018: TL 1.070) to key management.

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VIII. Explanations related to domestic, foreign and offshore branches or investments and foreign representative offices

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

IX. Explanations related to subsequent events and footnotes

Deniz Aksu has resigned from his duty as General Manager on 11 October 2019 and has resigned from his duty as Board Member on 21 October 2019.

Süha Seleş has resigned from his duty as Head of Internal Audit on 11 November 2019.

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SECTION SIX

Limited Review report

I. Explanations on limited review report

The Bank's consolidated financial statements as of and for the period ended 30 September 2019 have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the review report dated 14 November 2019 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors

None.

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SECTION SEVEN

- I. Message from the Chairman of the Board of Directors and CEO about activities related the interim period**
- a. Message from the Chairman of the Board of Directors**

Global growth during the first nine months of 2019 was lower than had been expected. Continued economic slowdown in China, trade wars, and regional instabilities were the principal dynamics having an adverse impact on the economic outlook. Notwithstanding this, a growing appetite for risk increased investors' interest in Turkey. Turkish Central Bank decisions to reduce interest rates after a period of rebalancing that took place in the Turkish economy in the first half of 2019 contributed to a recovery that got under way in the third quarter of the year. TCMB monetary policy relaxation, improved inflation performance, renormalization of funding costs, and robust coordination among legal, fiscal, and monetary authorities supported the development of the financial services industry. Taking favorable movements in inflation figures into account, TCMB revised its end-2019 and 2020 inflation projections. In the wake of these developments, the central bank reduced its policy rate first by 425 and then by 325 basis points, thereby bringing it down from its 24% level to 16,50%.

The economic discipline achieved through the government's New Economic Program has begun to bear fruit. The current account balance, which had shown a deficit on the order of USD 6.2 billion in 2018, showed a USD 1.2 billion surplus in the third quarter of 2019. During the same period it was also to be observed that the shortfall in the foreign trade balance continued to close and the country's export continued to be strong. Announced on the last day of September and covering the years 2020 through 2022, the New Economic Program refers to 2019 and 2020 as a "rebalancing period". According to this program, economic growth rates of 0,5% and 5% are expected in 2019 and 2020 respectively while consumer price inflation is projected to weigh in at 12% at end-2019 and at 8,5% at end-2020.

The velocity of credit growth in the Turkish banking industry remained relatively low in the first nine months of the year. With the announcement of Credit Guarantee Fund support, banks' total lendings in the first quarter of 2019 increased by 6% as compared with end-2018 and reached TL 2.446 billion while their total deposits rose by 14% to TL 2.302 billion. This corresponds to an eight percentage-point improvement in the sector's credit/deposit ratio, which reached 106% as of the same date. Despite shedding some TL 6.647 million worth of non-performing loans (reflecting the impact of TCMB's 25 basis-point cut), the sector's NPL ratio rose by 102 basis points to 4,71%.

Enjoying a strong and venerable brand image that is nearly a century old, Türkiye Emlak Katılım Bankası was in the position of having already achieved the end-2019 financial targets which it had set for itself as of end-September while the process of opening new branches in order to pursue growth and serve a broader customer base continued as well. New branch openings and ever more financing support for the real sector will continue for the rest of this year. Türkiye Emlak Katılım Bankası will also go on providing financing support not just to the construction industry but also to every other sector that helps to reduce our country's current account deficit and to increase its employment. The bank will also developing new participation banking products and services so that our own industry can achieve its market-share objectives.

In closing I take this opportunity to extend my thanks to all of our valued customers and other stakeholders for their business and for their generous confidence and support as well as to my esteemed colleagues for their efforts to perform their duties in the best way possible.

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I. Message from the Chairman of the Board of Directors and CEO about activities related the interim period (continued)

b. Message from the CEO

One of Turkey's oldest banks and most valuable brands, EmlakBank rapidly completed the process of resuming its operations, which began in September 2018, and began doing business as a state-owned participation bank on 21 March 2019. In EmlakBank's history of doing business that is nearly a century old, 2019 will be remembered as the year in which it made a vigorous re-entry into the sector. We have developed, within the framework of our vision and strategies, many new and enduring potential solutions not just for the construction industry, which is EmlakBank's principal business line, but for many other sectors as well.

In the quarter following the one in which it recommenced operations, EmlakBank was assigned a B+ rating by Fitch, an internationally-respected credit rating agency. For a financial institution to be awarded such a rating before even its first 12-month financial results have been published is an indication that Türkiye Emlak Katılım Bankası is solidly structured in many different ways and that its strategy is on point.

By achieving the 2019 year-end financial results which had been planned in line with its strategic plan, EmlakBank completed its Q3 2019 operations with a performance that surpassed expectations. Total funded credits topped TL 3.5 billion while total collected funds reached TL 3.8 billion as of end-September. Processes associated with the development of sector-specific product and service packages are continuing to move forward apace. Our Bauspar fund system product, which is based on the principle financing home-ownership by accepting savings for specified periods of time and lending on more favorable terms, has been included in the New Economic Program announced by the Ministry for the years 2020-2022. We have set up asset-leasing company that will be issuing lease certificates (sukuk). Our venture capital investment fund and real estate investment fund products have largely been finalized. We have also reached the final stage in the development of our referee account product, whose operations are to be integrated into those of the Directorate-General of Land & Cadastre's system.

Along with these developments that were taking place at EmlakBank, Q3 2019 was also a period in which public-sector support was felt by the private sector and an economic process in which it was to be observed that the effects of the government's monetary and fiscal policies became evident got under way. With the Turkish economy once again showing a current account surplus after so many years, the central bank's policy rate fell below 15%. It must be said that both the New Economic Program and the proactive approach of those responsible for managing the national economy made a big contribution to this result.

During the third quarter, TCMB also made rather effective use of its monetary policy tools and made a rather significant contribution to the restoration of economic activity through both its reserve requirements and its incentives to nurture credit growth. The reduction of the central bank's policy rate to 14% was a rather significant development from the standpoint of increasing both production and employment. The reduction of its end-2019 inflation projection from 13,9% to 12,0% and the announcement of its 2020 8% inflation expectation should also be seen as an important indication of the potential for economic activity in Turkey to gain strong momentum. Stable credit default swap rates and an absence of deterioration in international financial institutions' roll-over ratios of Turkish debt during the same period are seen as evidence that international perceptions of the Turkish economy are upbeat.

Noticeably considerable attention is devoted to interest-free finance in Turkey's Eleventh Development Plan. A twelve-point roadmap has been drawn up with the aim of increasing the role of interest-free finance, the ultimate goal of which is to bring the shares of participation banking and interest-free finance in the overall financing system to desirable levels. EmlakBank for its part will do everything it can to continue making the biggest contributions to the realization of that objective.

Turning now from domestic economic issues, the tensions caused by trade wars continued to impact on the global economy. The 6,2% rate of growth registered by China is the lowest witnessed in 27 years. Global dynamics and Turkish-US political and economic relations remained decisive factors for the Turkish economy as did the seemingly interminable and vexatious Brexit process and political and economic uncertainties in European Union countries. The groundwork for a possible Turkish-US reconciliation that was reached towards the end of the third quarter gradually provided support for improvements in Turkey's key economic indicators.

Speaking personally and on behalf of EmlakBank, I thank all of our customers and other stakeholders for the successful financial results that have been achieved. The new branches that we will be opening between now and the end of the year will give us a country-wide reach while also enabling us to serve a broader cross-section of the market.

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I. Message from the Chairman of the Board of Directors and CEO about activities related the interim period (continued)

c. Capital and Shareholder Structure

Name and Surname/ Trade name	Share Amounts	Share Rates	Paid Shares	Unpaid Shares
Ministry of Treasury and Finance	750.000	99,99%	750.000	-
Other	-	0,00001%	-	-

d. Amendments to the articles of association of the company between 1 January 2019 and 30 September 2019

The Bank's Articles of Association did not change in the relevant period.

The Bank received permission to operate in accordance with the Banking Regulation and Supervision Agency's dated 26 February 2019 and numbered 8262 decision which published in dated 27 February 2019 and numbered 30699 Official Gazette and started operations as of 21 March 2019.

e. Branch and Personnel Information

The Bank's total number of branches is 2 and the total number of personnel is 286 at 30 September 2019.

f. Board of Directors and Executive Management

Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage(%)
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate	-
Abdullah Ertem CANTİMUR	Member of BOD	Master	-
Prof. Dr. Mehmet ERSOY	Member of BOD and Board of Supervisors	Doctorate	-
Mehmet Ali KAHRAMAN	Member of BOD and Board of Supervisors	Master	-
Mehmet Nuri YAZICI	Member of BOD	Bachelor	-
Prof. Dr. Murat BALCI	Member of BOD	Doctorate	-
Cengiz SİNANOĞLU(*)	Member of BOD / General Manager (acting)	Master	-
Hasan APAYDIN	Assistant General Manager Responsible for Operations	Master	-
Savaş DİVANLIOĞLU	Assistant General Manager Responsible for Investment Banking and Financial Institutions	Master	-
Uğur KARA(**)	Assistant General Manager Responsible for Human Resources	Master	-

(*) Cengiz Sinanoğlu, who was appointed General Manager (acting) pursuant to a Board of Directors resolution dated 11 October 2019.

(**) Uğur Kara, Assistant General Manager Responsible for Human Resources, started to work on 14 October 2019.

g. Managers of Internal Systems

Name and Surname	Professional Experience	Seniority in the Field of Responsibility	Education	Area of Responsibility
Yusuf Abdullah KARADAĞ	21 year 6 month	19 year	Bachelor	Head of Internal Systems Group
Süha SELEŞ(*)	12 year 4 month	7 year 4 month	Bachelor	Head of Internal Audit
Hasan Selçuk ÇOBAN	12 year 7 month	11 month	Bachelor	Head of Risk Management
Sabri Korhan BİLSEL	14 year 6 month	1 year 8 month	Master	Head of Internal Control and Compliance

(*) Süha Seleş has resigned from his duty as Head of Internal Audit on 11 November 2019.

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I. Message from the Chairman of the Board of Directors and CEO about activities related the interim period (continued)

h. Committee and committee members formed after the distribution of duties among the board members

AUDIT COMITEE

Prof. Dr. Mehmet ERSOY
Mehmet Ali Kahraman

CREDIT COMITEE

Prof. Dr. Mehmet Emin BİRPINAR
Abdullah Erdem CANTİMUR
Prof. Dr. Murat BALCI
Cengiz SİNANOĞLU
Prof. Dr. Mehmet ERSOY
Mehmet Nuri YAZICI

CORPORATE GOVERNANCE COMMITTEE

Abdullah Ertem CANTİMUR
Prof. Dr. Mehmet ERSOY
Mehmet Nuri YAZICI
Yusuf Abdullah KARADAĞ (Head of Internal Systems Group)

REMUNERATION COMMITTEE

Prof. Dr. Murat BALCI
Mehmet Nuri YAZICI
Mehmet Ali KAHRAMAN

EXECUTIVE COMMITTEE

Prof. Dr. Mehmet Emin BİRPINAR
Prof. Dr. Murat BALCI
Cengiz SİNANOĞLU

PERSONNEL COMMITTEE

Prof. Dr. Mehmet Emin BİRPINAR
Prof. Dr. Murat BALCI
Cengiz SİNANOĞLU

i. Türkiye Emlak Katılım Bankası A.Ş. Selected Financial Indicators as of 30 September 2019

Profit before tax and provision	82.776
Net Profit	28.562
Total Cash Loans	3.544.369
Shareholders Equity	1.152.756
Total Assets	6.181.185
Leverage Ratio	37,42
Capital Adequacy Ratio	88,55
Number of Branches	2
Number of Employees	286