Yapı ve Kredi Bankası A.Ş.

Publicly announced consolidated financial statements and related disclosures at March 31, 2019 together with auditor’s review report

(Convenience translation of publicly announced consolidated financial statements and independent auditor’s report originally issued in Turkish, See Note 1. of Section three)

AUDITOR’S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s review report originally issued in Turkish, See Note I of Section Three)

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

Introduction

We have reviewed the consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (collectively referred to as “the Group”) at 31 March 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these 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 opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 31 March 2019 and of the results of its operations and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

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

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

Halûk Yalçın, SMMM
Partner

Istanbul, 2 May 2019

Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three

THE CONSOLIDATED INTERIM FINANCIAL REPORT OF YAPI VE KREDI BANKASI A.Ş. AS OF MARCH 31, 2019

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

- **GENERAL INFORMATION ABOUT THE PARENT BANK**
- **CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP**
- **EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**
- **INDEPENDENT AUDITOR'S REVIEW REPORT**
- **INTERIM ACTIVITY REPORT**

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapı Kredi Portföy Yönetimi A.Ş.		
5. Yapı Kredi Holding B.V.		
6. Yapı Kredi Bank Nederland N.V.		
7. Stichting Custody Services YKB		
8. Yapı Kredi Bank Azerbaijan CJSC		
9. Yapı Kredi Bank Malta Ltd.		

Although Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

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

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

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

Name-Surname / Title	: Umut Hallaç / International Reporting & Consolidation Manager
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section One

General Information

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

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

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

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987. As of March31, 2019, almost 18,10% of the shares of the Bank are publicly traded (December 31, 2018, - 18,10%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

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

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

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi NV")	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

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

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

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU(1)	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Francesco GIORDANO	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Virma SÖKMEN(1)	Independent Member
Wolfgang SCHILK	Independent Member

(1) With the Board of Directors decision taken on March 19, 2019, Virma Sökmen and Ahmet Çimenoğlu have been assigned as new members of the Bank's Board of Directors, instead of Adil Giray Öztoprak and F.Füsun Akkal Bozok.

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Ahmet ÇİMENOĞLU(2)	Member
Giovanna VILLA	Member

(2) With the Board of Directors decision taken on March 19, 2019, Ahmet Çimenoğlu has been assigned as new audit committee member instead of Adil Giray Öztoprak.

General Manager and Deputy General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO

Assistant General Managers:

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

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

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

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

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

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

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

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

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

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

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

As of March 31, 2019, the Parent Bank has 17.379 employees (December 31, 2018 - 17.577 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of March 31, 2019 the Group has 18.237 employees (December 31, 2018 - 18.448 employees).

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

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

All other subsidiaries are fully consolidated.

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

None.

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

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

					Current Period (31/03/2019)			Prior Period (31/12/2018)
	Assets	**Note (Section five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**45.307.107**	**59.783.451**	**105.090.558**	**47.957.841**	**50.343.713**	**98.301.554**
1.1	**Cash and Cash Equivalents**	**1.1**	**13.828.030**	**54.338.377**	**68.166.407**	**17.073.953**	**45.027.781**	**62.101.734**
1.1.1	Cash and Balances with Central Bank		2.667.858	42.535.846	45.203.704	16.756.471	40.074.837	56.831.308
1.1.2	Banks	1.4	3.654.402	11.918.445	15.572.847	237.598	5.032.042	5.269.640
1.1.3	Money Markets		7.562.782	-	7.562.782	105.175	12.056	117.231
1.1.4	Provisions for Expected Losses (-)		57.012	115.914	172.926	25.291	91.154	116.445
1.2	**Financial assets where fair value change is reflected to income statement**	**1.2**	**100.424**	**278.478**	**378.902**	**26.978**	**221.178**	**248.156**
1.2.1	Government debt securities		15.231	63.113	78.344	17.686	50.656	68.342
1.2.2	Share certificates		82.276	215.365	297.641	6.640	170.522	177.162
1.2.3	Other financial assets		2.917	-	2.917	2.652	-	2.652
1.3	**Financial assets where fair value change is reflected to other comprehensive income statement**	**1.5,1.6**	**23.340.173**	**4.117.028**	**27.457.201**	**22.881.613**	**4.002.067**	**26.883.680**
1.3.1	Government debt securities		23.236.854	2.159.291	25.396.145	22.790.241	2.167.987	24.958.228
1.3.2	Share certificates		77.418	2.782	80.200	64.144	2.650	66.794
1.3.3	Other financial assets		25.901	1.954.955	1.980.856	27.228	1.831.430	1.858.658
1.4	**Derivative Financial Assets**	**1.3**	**8.038.480**	**1.049.568**	**9.088.048**	**7.975.297**	**1.092.687**	**9.067.984**
1.4.1	Derivative financial assets where fair value change is reflected to income statement		6.031.725	881.575	6.913.300	5.105.944	792.954	5.898.898
1.4.2	Derivative financial assets where fair value change is reflected to other comprehensive income statement		2.006.755	167.993	2.174.748	2.869.353	299.733	3.169.086
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)**		**145.466.397**	**122.715.991**	**268.182.388**	**140.831.209**	**116.899.465**	**257.730.674**
2.1	**Loans**	**1.7**	**138.399.614**	**105.333.956**	**243.733.570**	**133.996.637**	**99.138.357**	**233.134.994**
2.2	**Receivables From Leasing Transactions (Net)**	**1.12**	**2.678.237**	**9.909.944**	**12.588.181**	**2.699.972**	**10.075.491**	**12.775.463**
2.3	**Factoring Receivables**		**1.905.903**	**1.299.179**	**3.205.082**	**1.973.574**	**1.615.493**	**3.589.067**
2.4	**Financial Assets Measured at Amortised Cost**	**1.8**	**13.943.023**	**10.298.106**	**24.241.129**	**12.967.307**	**9.838.372**	**22.805.679**
2.4.1	Government debt securities		13.943.023	9.563.975	23.506.998	12.967.307	9.077.343	22.044.650
2.4.2	Other financial assets		-	734.131	734.131	-	761.029	761.029
2.5	**Provisions for Expected Losses (-)**		**11.460.380**	**4.125.194**	**15.585.574**	**10.806.281**	**3.768.248**	**14.574.529**
III.	**ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**1.15**	**315.375**	**9.558**	**324.933**	**289.796**	**8.674**	**298.470**
3.1	Held for Sale Purposes		315.375	9.558	324.933	289.796	8.674	298.470
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**282.297**	**830.442**	**1.112.739**	**297.293**	**784.140**	**1.081.433**
4.1	**Investments in Associates (net)**	**1.9**	**254.057**	**830.442**	**1.084.499**	**268.828**	**784.140**	**1.052.968**
4.1.1	Consolidated based on Equity Method		247.956	830.442	1.078.398	262.727	784.140	1.046.867
4.1.2	Unconsolidated		6.101	-	6.101	6.101	-	6.101
4.2	**Subsidiaries (Net)**	**1.10**	**7.300**	**-**	**7.300**	**7.300**	**-**	**7.300**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3	**Joint Ventures (Net)**	**1.11**	**20.940**	**-**	**20.940**	**21.165**	**-**	**21.165**
4.3.1	Consolidated based on Equity Method		20.940	-	20.940	21.165	-	21.165
4.3.2	Unconsolidated		-	-	-	-	-	-
V.	**PROPERTY AND EQUIPMENT (Net)**		**4.196.932**	**52.855**	**4.249.787**	**3.293.383**	**18.792**	**3.312.175**
VI.	**INTANGIBLE ASSETS [Net]**		**1.822.647**	**28.552**	**1.851.199**	**1.791.184**	**25.928**	**1.817.112**
6.1	Goodwill		979.493	-	979.493	979.493	-	979.493
6.2	Other		843.154	28.552	871.706	811.691	25.928	837.619
VII.	**INVESTMENT PROPERTY (Net)**	**1.13**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSETS**		**-**	**28.845**	**28.845**	**5.851**	**3.653**	**9.504**
IX.	**DEFERRED TAX ASSETS**	**1.14**	**842.627**	**-**	**842.627**	**712.891**	**-**	**712.891**
X.	**OTHER ASSETS**	**1.16**	**3.125.923**	**8.618.789**	**11.744.712**	**3.393.959**	**6.718.482**	**10.112.441**
	TOTAL ASSETS		**201.359.305**	**192.068.483**	**393.427.788**	**198.573.407**	**174.802.847**	**373.376.254**

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

1. Consolidated balance sheet (Statement of Financial Position)

				Current Period (31/03/2019)			**Prior Period (31/12/2018)**	
	Liabilities	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**2.1**	**89.806.053**	**129.862.138**	**219.668.191**	**92.742.975**	**117.548.498**	**210.291.473**
II.	**BORROWINGS**	**2.3.1**	**1.932.619**	**41.108.579**	**43.041.198**	**1.329.596**	**45.742.406**	**47.072.002**
III.	**MONEY MARKETS**		**2.559.262**	**1.966.314**	**4.525.576**	**2.205.920**	**1.314.293**	**3.520.213**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.3**	**5.336.750**	**21.296.342**	**26.633.092**	**3.900.361**	**17.541.842**	**21.442.203**
4.1	Bills		3.619.843	-	3.619.843	1.373.498	-	1.373.498
4.2	Asset backed Securities		-	3.952.538	3.952.538	-	3.835.712	3.835.712
4.3	Bonds		1.716.907	17.343.804	19.060.711	2.526.863	13.706.130	16.232.993
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS**	**2.3.4**	**310.536**	**11.527.590**	**11.838.126**	**330.910**	**7.634.494**	**7.965.404**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**5.782.425**	**1.605.242**	**7.387.667**	**6.383.398**	**904.351**	**7.287.749**
4.1	Derivative Liabilities at Fair Value Through Profit and Loss		5.080.796	1.465.689	6.546.485	5.840.503	835.840	6.676.343
4.2	Derivative Liabilities at Fair Value Through Other Comprehensive Profit		701.629	139.553	841.182	542.895	68.511	611.406
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**2.5**	**860.988**	**47.783**	**908.771**	-	-	-
X.	**PROVISIONS**	**2.6**	**3.210.933**	**310.881**	**3.521.814**	**3.114.494**	**344.691**	**3.459.185**
10.1	Provisions for Restructuring		-	-	-	-	-	-
10.2	Provisions for Employee Rights	2.6.1	691.353	2.520	693.873	680.071	2.197	682.268
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions	2.6.3	2.519.580	308.361	2.827.941	2.434.423	342.494	2.776.917
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**671.552**	**2.766**	**674.318**	**1.121.246**	**1.186**	**1.122.432**
XII.	**DEFERRED TAX LIABILITIES**		-	**8.593**	**8.593**	**2.401**	**8.265**	**10.666**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT**	**2.9**	-	**17.054.433**	**17.054.433**	-	**13.557.153**	**13.557.153**
14.1	Loans		-	4.834.046	4.834.046	-	5.574.724	5.574.724
14.2	Other Facilities		-	12.220.387	12.220.387	-	7.982.429	7.982.429
XV.	**OTHER LIABILITIES**	**2.4**	**14.068.938**	**5.023.773**	**19.092.711**	**15.046.590**	**3.593.906**	**18.640.496**
XVI.	**SHAREHOLDERS' EQUITY**	**2.10**	**39.450.164**	**(376.866)**	**39.073.298**	**39.109.703**	**(102.425)**	**39.007.278**
16.1	Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2	Capital Reserves		1.987.915	-	1.987.915	1.985.153	-	1.985.153
16.2.1	Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.430.978	-	1.430.978	1.428.216	-	1.428.216
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1.683.504	7.315	1.690.819	1.661.712	7.315	1.669.027
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(54.192)	(342.774)	(396.966)	871.298	(68.333)	802.965
16.5	Profit Reserves		24.503.924	(41.407)	24.462.517	19.836.498	(41.407)	19.795.091
16.5.1	Legal Reserves		1.102.781	-	1.102.781	869.410	-	869.410
16.5.2	Statutory reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		23.393.329	(41.407)	23.351.922	18.959.274	(41.407)	18.917.867
16.5.4	Other Profit Reserves		7.814	-	7.814	7.814	-	7.814
16.6	Profit or loss		2.881.364	-	2.881.364	6.307.380	-	6.307.380
16.6.1	Prior years' profits or losses		1.639.954	-	1.639.954	1.639.954	-	1.639.954
16.6.2	Current period net profit or losss		1.241.410	-	1.241.410	4.667.426	-	4.667.426
16.7	Minority interest		598	-	598	611	-	611
	TOTAL LIABILITIES		**163.990.220**	**229.437.568**	**393.427.788**	**165.287.594**	**208.088.660**	**373.376.254**

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

2. Consolidated off-balance sheet commitments

		Note (Section Five)	Current Period (31/03/2019) TL	FC	Total	Prior Period (31/12/2018) TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**258.230.632**	**420.251.175**	**678.481.807**	**216.053.385**	**358.751.820**	**574.805.205**
I.	**Guarantees and warranties**	**3.1.2.1**	**26.777.252**	**65.173.085**	**91.950.337**	**26.281.959**	**59.503.230**	**85.785.189**
1.1	Letters of guarantee	3.1.2.2	26.576.126	43.392.117	69.968.243	26.111.200	40.357.031	66.468.231
1.1.1	Guarantees subject to state tender law		408.094	1.086.946	1.495.040	562.791	1.240.942	1.803.733
1.1.2	Guarantees given for foreign trade operations		3.871.205	42.140.785	46.011.990	3.768.512	38.962.053	42.730.565
1.1.3	Other letters of guarantee		22.296.827	164.386	22.461.213	21.779.897	154.036	21.933.933
1.2	Bank acceptances		-	175.378	175.378	-	200.915	200.915
1.2.1	Import letter of acceptance		-	175.378	175.378	-	200.915	200.915
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		169.366	12.986.641	13.156.007	152.733	11.040.080	11.192.813
1.3.1	Documentary letters of credit		169.366	12.986.326	13.155.692	152.733	11.039.517	11.192.250
1.3.2	Other letters of credit		-	315	315	-	563	563
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		31.760	4.110.092	4.141.852	18.026	3.997.024	4.015.050
1.9	Other warranties		-	4.508.857	4.508.857	-	3.908.180	3.908.180
II.	**Commitments**	**3.1.1**	**74.392.266**	**44.995.430**	**119.387.696**	**57.594.918**	**27.612.945**	**85.207.863**
2.1	Irrevocable commitments		73.505.754	30.073.851	103.579.605	56.759.355	9.049.492	65.808.847
2.1.1	Asset purchase and sale commitments		15.237.511	26.458.204	41.695.715	1.969.620	6.371.281	8.340.901
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		10.877.620	2.183.352	13.060.972	10.167.781	2.192.840	12.360.621
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheques		3.591.570	-	3.591.570	2.990.824	-	2.990.824
2.1.8	Tax and fund liabilities from export commitments		4.211	-	4.211	4.551	-	4.551
2.1.9	Commitments for credit card limits		37.050.811	-	37.050.811	35.189.895	-	35.189.895
2.1.10	Commitments for credit cards and banking services promotions		25.932	-	25.932	27.510	-	27.510
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.718.099	1.432.295	8.150.394	6.409.174	485.371	6.894.545
2.2	Revocable commitments		886.512	14.921.579	15.808.091	835.563	18.563.453	19.399.016
2.2.1	Revocable loan granting commitments		886.512	14.824.188	15.710.700	835.563	18.472.473	19.308.036
2.2.2	Other revocable commitments		-	97.391	97.391	-	90.980	90.980
III.	**Derivative financial instruments**		**157.061.114**	**310.082.660**	**467.143.774**	**132.176.508**	**271.635.645**	**403.812.153**
3.1	Derivative financial instruments for hedging purposes		44.942.905	50.096.310	95.039.215	48.681.680	48.579.047	97.260.727
3.1.1	Transactions for fair value hedge		493.845	3.770.908	4.264.753	549.020	3.717.204	4.266.224
3.1.2	Transactions for cash flow hedge		44.449.060	46.325.402	90.774.462	48.132.660	44.861.843	92.994.503
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		112.118.209	259.986.350	372.104.559	83.494.828	223.056.598	306.551.426
3.2.1	Forward foreign currency buy/sell transactions		10.648.649	13.220.517	23.869.166	8.163.952	11.115.016	19.278.968
3.2.1.1	Forward foreign currency transactions-buy		5.376.071	6.740.848	12.116.919	3.862.433	6.037.224	9.899.657
3.2.1.2	Forward foreign currency transactions-sell		5.272.578	6.479.669	11.752.247	4.301.519	5.077.792	9.379.311
3.2.2	Swap transactions related to foreign currency and interest rates		92.675.269	199.226.701	291.901.970	69.476.428	175.834.744	245.311.172
3.2.2.1	Foreign currency swap-buy		17.258.237	79.925.271	97.183.508	15.933.191	63.810.780	79.743.971
3.2.2.2	Foreign currency swap-sell		60.255.032	38.016.246	98.271.278	46.261.237	35.319.820	81.581.057
3.2.2.3	Interest rate swap-buy		7.581.000	40.642.592	48.223.592	3.641.000	38.352.072	41.993.072
3.2.2.4	Interest rate swap-sell		7.581.000	40.642.592	48.223.592	3.641.000	38.352.072	41.993.072
3.2.3	Foreign currency, interest rate and securities options		7.113.599	15.394.024	22.507.623	5.034.420	12.244.720	17.279.140
3.2.3.1	Foreign currency options-buy		3.690.692	6.001.841	9.692.533	1.735.423	5.022.695	6.758.118
3.2.3.2	Foreign currency options-sell		3.422.907	6.214.610	9.637.517	2.998.997	3.709.657	6.708.654
3.2.3.3	Interest rate options-buy		-	2.198.494	2.198.494	150.000	2.325.046	2.475.046
3.2.3.4	Interest rate options-sell		-	979.079	979.079	150.000	1.187.322	1.337.322
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		860.634	839.048	1.699.682	-	-	-
3.2.4.1	Foreign currency futures-buy		5.395	834.281	839.676	-	-	-
3.2.4.2	Foreign currency futures-sell		855.239	4.767	860.006	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		820.058	31.306.060	32.126.118	820.028	23.862.118	24.682.146
B.	**Custody and pledges received (IV+V+VI)**		**3.196.852.503**	**710.302.787**	**3.907.155.290**	**3.150.512.497**	**658.025.444**	**3.808.537.941**
IV.	**Items held in custody**		**379.950.210**	**569.937.166**	**949.887.376**	**363.119.243**	**531.619.754**	**894.738.997**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		359.842.081	569.270.025	929.112.106	339.110.318	530.965.211	870.075.529
4.3	Checks received for collection		14.918.524	61.008	14.979.532	18.335.720	63.956	18.399.676
4.4	Commercial notes received for collection		5.131.461	521.337	5.652.798	5.615.061	510.019	6.125.080
4.5	Other assets received for collection		-	67.600	67.600	-	64.289	64.289
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	17.196	75.340	58.144	16.279	74.423
4.8	Custodians		-	-	-	-	-	-
V.	**Pledges received**		**2.792.003.072**	**129.859.354**	**2.921.862.426**	**2.767.738.690**	**116.528.747**	**2.884.267.437**
5.1	Marketable securities		793.875	624	794.499	249.891	583	250.474
5.2	Guarantee notes		1.036.901	318.575	1.355.476	1.144.853	317.023	1.461.876
5.3	Commodity		16.297	-	16.297	17.430	-	17.430
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		2.599.278.823	95.682.322	2.694.961.145	2.589.950.921	93.382.777	2.683.333.698
5.6	Other pledged items		190.877.176	33.847.754	224.724.930	176.375.595	22.818.924	199.194.519
5.7	Pledged items-depository		-	10.079	10.079	-	9.440	9.440
VI.	**Accepted independent guarantees and warranties**		**24.899.221**	**10.506.267**	**35.405.488**	**19.654.564**	**9.876.943**	**29.531.507**
	Total off-balance sheet commitments (A+B)		**3.455.083.135**	**1.130.553.962**	**4.585.637.097**	**3.366.565.882**	**1.016.777.264**	**4.383.343.146**

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

3. Consolidated income statement

	Income and expense items	Note (Section Five)	Current Period (01/01/2019-31/03/2019)	Prior Period (01/01/2018-31/03/2018)
I.	**INTEREST INCOME**	**4.1**	**9.463.907**	**6.759.622**
1.1	Interest on Loans	4.1.1	7.303.410	5.288.219
1.2	Interest received from reserve deposits		116.286	82.770
1.3	Interest Received from Banks	4.1.2	190.017	158.460
1.4	Interest Received from Money Market Transactions		42.300	7.748
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	1.437.924	930.825
1.5.1	Financial Assets at Fair Value Through Profit and Loss		1.896	6.734
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		903.547	646.804
1.5.3	Financial assets measured at amortised cost		532.481	277.287
1.6	Financial Lease Income		246.721	200.923
1.7	Other Interest Income		127.249	90.677
II.	**INTEREST EXPENSE (-)**	**4.2**	**5.979.372**	**3.914.691**
2.1	Interest on Deposits	4.2.4	4.352.701	2.600.082
2.2	Interest on Funds Borrowed	4.2.1	735.853	480.190
2.3	Interest expense on money market transactions		198.331	336.772
2.4	Interest on Securities Issued	4.2.3	601.504	395.272
2.5	Interest on Lease Payables		41.208	-
2.6	Other Interest Expense		49.775	102.375
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**3.484.535**	**2.844.931**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENCE**		**1.337.033**	**1.033.668**
4.1	Fees and Commissions Received		1.753.749	1.275.075
4.1.1	Non-cash Loans		258.961	170.095
4.1.2	Other		1.494.788	1.104.980
4.2	Fees and Commissions Paid		416.716	241.407
4.2.1	Non-cash Loans		8.684	6.514
4.2.2	Other		408.032	234.893
V.	**DIVIDEND INCOME**		**9.847**	**4.021**
VI.	**TRADING PROFIT/LOSS (Net)**	**4.3**	**170.894**	**(291.017)**
6.1	Trading Gains/Losses on Securities		64.316	42.011
6.2	Derivative Financial Transactions Gains/Losses	4.4	1.459.369	509.757
6.3	Foreign Exchange Gains/Losses		(1.352.791)	(842.785)
VII.	**OTHER OPERATING INCOME**		**419.339**	**434.082**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**5.421.648**	**4.025.685**
IX.	**PROVISION FOR EXPECTED LOSSES (-)**	**4.5**	**1.938.856**	**843.967**
X.	**OTHER PROVISION EXPENSES (-)**	**4.5**	**215.554**	**147.247**
XI.	**PERSONNEL EXPENSES (-)**	**4.8**	**804.744**	**663.235**
XII.	**OTHER OPERATING EXPENSES (-)**	**4.7**	**907.575**	**786.380**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**1.554.919**	**1.584.856**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**	**-**
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**27.940**	**28.166**
XVI.	**NET MONETARY POSITION GAIN/LOSS)**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)**	**4.8**	**1.582.859**	**1.613.022**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.9**	**341.412**	**368.939**
18.1	Current Tax Provision		84.178	86.027
18.2	Expense effect of deferred tax (+)		257.234	282.912
18.3	Income effect of deferred tax (-)		-	-
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**		**1.241.447**	**1.244.083**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)**		-	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**4.10**	**1.241.447**	**1.244.083**
25.1	Group`s profit/loss		1.241.410	1.244.048
25.2	Minority shares		37	35
	Earnings/(loss) per share (full TL)		0,0015	0,0029

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

4. Consolidated statement of income and expense items accounted under shareholders’ equity

		Current Period (31/03/2019)	Prior Period (31/03/2018)
I.	**PROFIT (LOSS)**	**1.241.447**	**1.244.083**
II.	**OTHER COMPREHENSIVE INCOME**	**(1.178.139)**	**386.682**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**21.792**	**(277)**
2.1.1.	Gains (losses) on Revaluation of Property, Plant and Equipment	14.787	(311)
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	559	-
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	10.508	-
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(4.062)	34
2.2.	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(1.199.931)**	**386.959**
2.2.1.	Exchange Differences on Translation	194.950	190.197
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(898.244)	(209.122)
2.2.3.	Income (loss) Related with Cash Flow Hedges	(762.696)	604.001
2.2.4.	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(127.046)	(143.115)
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	393.105	(55.002)
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**63.308**	**1.630.765**

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

5. Consolidated statement of changes in shareholders' equity

Current Period (31/03/2019)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
Changes in shareholder's equity	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
I. Balance at the beginning of the period	**8.447.051**	**556.937**	**-**	**1.428.216**	**1.866.531**	**(225.129)**	**27.625**	**2.037.236**	**(1.776.305)**	**542.034**	**19.795.091**	**1.639.954**	**4.667.426**	**39.006.667**	**611**	**39.007.278**
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	**8.447.051**	**556.937**	**-**	**1.428.216**	**1.866.531**	**(225.129)**	**27.625**	**2.037.236**	**(1.776.305)**	**542.034**	**19.795.091**	**1.639.954**	**4.667.426**	**39.006.667**	**611**	**39.007.278**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**13.160**	**436**	**8.196**	**194.950**	**(700.882)**	**(693.999)**	**-**	**-**	**1.241.410**	**63.271**	**37**	**63.308**
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**2.762**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.762**	**-**	**2.762**
XI. Profit distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.667.426**	**-**	**(4.667.426)**	**-**	**(50)**	**(50)**
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)	(50)
11.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…...+X+XI)	**8.447.051**	**556.937**	**-**	**1.430.978**	**1.879.691**	**(224.693)**	**35.821**	**2.232.186**	**(2.477.187)**	**(151.965)**	**24.462.517**	**1.639.954**	**1.241.410**	**39.072.700**	**598**	**39.073.298**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

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

5. Consolidated statement of changes in shareholders' equity

Current Period (31/03/2018)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
Changes in shareholder's equity	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**-**	**1.144.663**	**(384.916)**	**117.925**	**16.552.355**	**1.639.954**	**3.614.081**	**30.101.285**	**541**	**30.101.826**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**110.325**	**-**	**(243.404)**	**-**	**-**	**(133.079)**	**-**	**(133.079)**
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.329.747**	**1.381.028**	**(184.484)**	**-**	**1.144.663**	**(274.591)**	**117.925**	**16.308.951**	**1.639.954**	**3.614.081**	**29.968.206**	**541**	**29.968.747**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(277)**	**-**	**-**	**190.197**	**(162.729)**	**359.491**	**-**	**-**	**1.244.048**	**1.630.730**	**35**	**1.630.765**
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**	**-**	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**	**(41)**	**(41)**
11.1. Dividends distributed	-	-		-	-	-	-	-	-	-	-	-	-	-	(41)	(41)
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…...+X+XI)	**4.347.051**	**543.881**	**-**	**1.457.580**	**1.380.751**	**(184.484)**	**-**	**1.334.860**	**(437.320)**	**477.416**	**19.795.199**	**1.639.954**	**1.244.048**	**31.598.936**	**535**	**31.599.471**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

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

6. Consolidated statement of cash flows

		Notes (Section Five)	Current Period (31/03/2019)	Prior Period (31/03/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**3.063.302**	**716.930**
1.1.1	Interest received		8.034.293	5.630.742
1.1.2	Interest paid		(5.789.264)	(3.760.706)
1.1.3	Dividend received		9.847	4.021
1.1.4	Fees and commissions received		1.753.749	1.275.075
1.1.5	Other income		536.093	(598.563)
1.1.6	Collections from previously written-off loans and other receivables		420.685	359.243
1.1.7	Cash Payments to personnel and service suppliers		(1.650.957)	(1.235.029)
1.1.8	Taxes paid		(685.431)	(335.623)
1.1.9	Other		434.287	(622.230)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**1.349.607**	**(5.475.296)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(119.145)	(305.524)
1.2.2	Net (increase) decrease in due from banks		(252.620)	(3.724.876)
1.2.3	Net (increase) decrease in loans		(10.880.205)	(4.384.366)
1.2.4	Net (increase) decrease in other assets		(1.599.326)	(1.074.196)
1.2.5	Net increase (decrease) in bank deposits		(6.134.241)	3.963.233
1.2.6	Net increase (decrease) in other deposits		15.515.043	2.594.543
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		3.848.530	1.022.598
1.2.8	Net increase (decrease) in funds borrowed		(1.734.077)	(271.145)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		2.705.648	(3.295.563)
I.	**Net cash provided from banking operations**		**4.412.909**	**(4.758.366)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(2.309.569)**	**896.859**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3	Cash paid for the purchase of tangible and intangible asset		(225.465)	(81.278)
2.4	Cash obtained from the sale of tangible and intangible asset		104.863	13.781
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(4.212.217)	(3.484.387)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		2.758.491	4.593.863
2.7	Cash paid for the purchase of financial assets at amortised cost		(943.747)	(935.997)
2.8	Cash obtained from sale of financial assets at amortised cost		208.506	790.877
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flows from financing activities**		**3.778.253**	**1.828.782**
3.1	Cash obtained from funds borrowed and securities issued		6.494.581	3.686.547
3.2	Cash outflow from funds borrowed and securities issued		(2.615.395)	(1.857.724)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(50)	(41)
3.5	Payments for lease liabilities		(100.883)	-
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**1.982.092**	**910.975**
V.	**Net increase/decrease in cash and cash equivalents**		**7.863.685**	**(1.121.750)**
VI.	**Cash and cash equivalents at beginning of the period**		**46.492.483**	**23.844.278**
VII.	**Cash and cash equivalents at end of the period**		**54.356.168**	**22.722.528**

Section Three - Accounting policies

1. Explanations on basis of presentation:

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

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

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

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

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

The accounting policies and valuation principles employed for the preparation of consolidated financial statements are in compliance with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS. The accounting principles except TFRS 16 impact, are in accordance with the used principles in preparation of yearly consolidated financial statement as of December 31, 2018.

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

Additional paragraph for convenience translation into English:

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

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

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

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

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss " in equity.

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

3. Information on consolidation principles:

3.1. Consolidation principles applied:

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

3.1.1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

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

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) March 31, 2019	Direct and indirect rates (%) March 31, 2019
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta	St.Julian's /Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company (1)	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

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

Title	(City/ Country)	Main activities	Effective rates % March 31, 2019	Direct and indirect rates % March 31, 2019
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % March 31, 2019	Direct and indirect rates % March 31, 2019
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

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

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

4. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9-Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets at fair value through profit or loss" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS – 9 Financial Instruments"; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2018, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions. As of 31 March 2019, fair value measurement adjustments are made in TL yield curves used in valuation of derivative transactions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. . If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assetsare managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Group's management;

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- the frequency, volume and timing of salesb in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until the maturity. Thus Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Group sells financial assets when there is an increase in the assets' credit risk. The Group considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).
Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments of fair value through other comprehensive income:

At initial recognition, Group can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an an equity instrument within the scope of TFRS 9. Such election is made on an instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

8. Explanations on impairment of financial assets:

The Parent Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Parent Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Parent Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assesments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Group can abondon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparision of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Group's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Group's associates and subsidiaries

Forward Looking Information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Group uses macroeconomic estimation method which is developed during creation of various scenarious. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

While generating data for expected credit loss calculation, OECD countries, in the context of estimating macroeconomic information of international monetary policy and the intensity of the sector, specifications and estimates of econometric models revealing past relationships between credit risk parameters and macroeconomic variables are employed in order to be able to generate estimates based on macroeconomic information.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Group evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1 year maturity, a process called "convergence to the mean" is applied.

9. Explanations on offsetting financial assets:

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

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.
Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the "TFRS-5 Non-current Assets Held for Sale and Discontinued Operations" a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS 3- Business Combinations" the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS 36 - Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets".The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16- Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS 36-Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs leasing transactions in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessee:

The Group has adopted "TFRS 16 - Leases" as of January 1, 2019. The Group has applied the simplified transition approach and elected not to restate comparative figures.

In accordance with "TFRS 16 - Leases", the Group calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

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

Impact of TFRS 16 on financial statements as of January 1, 2019 is as follow:

Information on lease payables:

	January 1, 2019
Operating lease commitments	**1.418.695**
Total lease payables within the scope of TFRS 16 (dicounted using the borrowing rate)	**846.301**
Finance lease payables	**-**
Lease payables	**846.301**
- Current lease liabilities	191.103
- Non-current lease liabilities	655.198

Information on total right-of-use assets:

	January 1, 2019
Branch	787.822
ATM	46.220
Other	12.259
Total right-of-use assets	**846.301**

14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1 Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions and contingent assets and liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with "TAS 37- Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

16.2. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.
The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.
Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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

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

A 75% portion of the capital gains (have been set as 50% for real estate properties as of December 5, 2017) derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

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

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Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of March 31, 2019 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Additional explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments of the Parent Bank were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.075 (December 31, 2018 - TL 1.075).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the period to the weighted average number of shares outstanding during the period concerned.

	Current Period	**Prior Period**
Net Income/(loss) to be appropriated to ordinary shareholders	1.241.410	1.244.048
Weighted average number of issued ordinary shares(thousand)	844.705.128	434.705.128
Earnings per share (full TL)	**0,0015**	**0,0029**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2019 (31 December 2018 - no bonus shares were issued).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 5. of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS 8- Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 10 of Section Four.

26. Explanations on other matters:

None.

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

Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity".

The consolidated capital adequacy ratio of the Group is 15,00% (December 31, 2018 – 14,81%) and the Parent Bank is 16,18% (December 31, 2018 – 16,07%).

1.1. Information related to capital adequacy ratio:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	25.884.402	21.216.976
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.260.277	5.647.070
Profit	2.881.364	6.307.380
Net profit of the period	1.241.410	4.667.426
Profit of the previous years	1.639.954	1.639.954
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	9.093	6.331
Minority interest	598	611
Common Equity Tier 1 capital before regulatory adjustments	**43.039.722**	**42.182.356**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	84.221	54.299
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	3.966.424	3.175.078
Improvement costs for operating leasing	103.982	107.326
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	820.148	789.064
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	895.156	1.513.584
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	1.099.338	1.068.032
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**7.948.762**	**7.686.876**
Common Equity Tier 1 capital (CET1)	**35.090.960**	**34.495.480**

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

	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
Prefferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	3.658.460	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 capital before regulatory adjustments	**3.658.460**	-
Additional Tier 1 capital: regulatory adjustments	-	-
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	**3.658.460**	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**38.749.420**	**34.495.480**
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.005.502	7.070.650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	524.885	711.040
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks) [2]	2.834.264	2.720.587
Tier 2 capital before regulatory adjustments	**9.364.651**	**10.502.278**
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	94.944	87.791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)		-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	**94.944**	**87.791**
Total Tier 2 capital	**9.269.707**	**10.414.487**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**47.969.709**	**44.866.207**
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.280	4.893
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years [3]	-	-
National specific regulatory adjustments which shall be determined by the BRSA	45.138	38.866
Regulatory Adjustments which will be deducted from Total Capital during the transition period	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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

OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	47.969.709	44.866.207
Total Risk Weighted Assets	319.821.205	302.881.004
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,97	11,39
Tier 1 Capital Adequacy Ratio (%)	12,12	11,39
Capital Adequacy Ratio (%)	15,00	14,81
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	4,053	3,042
a)Capital conservation buffer requirement (%)	2,500	1,875
b)Bank's specific countercyclical buffer requirement (%)	0,053	0,042
c)Systemically important Bank buffer	1,500	1,125
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,116	5,389
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.980.522	2.576.876
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	5.876.938	5.355.077
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.633.672	3.487.932
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	524.885	711.040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	5.014.908	4.549.860

(1) Represents after tax, net amount of general provisions.
(2) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4	5
Lender (1,2); Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law
Regulatory treatment					
Transitional Basel III rules	No	No	Yes	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone –Consolidated	Stand-alone –Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.976	1.216	525	2.814	3.658
Par value of instrument	3.293	1.520	5.540	2.814	3.658
Accounting classification	Liability – Subordinated Debt- amortized cost	Liability – Subordinated Debt- amortized cost	Liability – Subordinated Debt- amortized cost	Liability – Subordinated Debt- amortized cost	Liability – Subordinated Debt- amortized cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016	January 15, 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Demand
Original maturity date	10 years	10 years	10 years	10 years 1 day	-
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year	Every 5 year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	
Coupons / dividends					
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156 fixed	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)	13,875% (5 Year MidSwap+ 11,24.5% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	
Existence of step up or other incentive to redeem	-	-	-	-	
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Noncumulative
Convertible or non-convertible					
If convertible, conversion trigger (s)	-	-	-	-	-
If convertible, fully or partially	-	-	-	-	-
If convertible, conversion rate	-	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-	-
Write-down feature					
If write-down, write-down trigger(s)	-	-	-	In case of default	In case of default and in case Common Equity Tier 1 lower than %5,125
If write-down, full or partial	-	-	-	Partial	Partial and completely
If write-down, permanent or temporary	-	-	-	Permanent	Temporary
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of default and in case Common Equity Tier 1 higher than %5,125
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors and TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-	-

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

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated debts are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

2. Explanations on Consolidation Based Risk Management:

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

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**282.928.702**	**271.987.460**	**22.634.296**
2	Of which standardised approach (SA)	282.928.702	271.987.460	22.634.296
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**7.763.775**	**7.045.736**	**621.102**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	7.763.775	7.045.736	621.102
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach**	-	-	-
8	**Equity investments in funds – look-through approach**	**1.322**	**1.459**	**106**
9	**Equity investments in funds – mandate-based approach**	-	-	-
10	**Equity investments in funds – fall-back approach**	-	-	-
11	**Settlement risk**	-	-	-
12	**Securitisation exposures in banking book**	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**2.620.382**	**2.872.391**	**209.631**
17	Of which standardised approach (SA)	2.620.382	2.872.391	209.631
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational risk**	**26.507.024**	**20.973.958**	**2.120.562**
20	Of which Basic Indicator Approach	26.507.024	20.973.958	2.120.562
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
24	**Floor adjustment**	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**319.821.205**	**302.881.004**	**25.585.697**

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

3. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate	**5,6284**	**6,3188**
First day current bid rate	5,5423	6,2335
Second day current bid rate	5,3307	6,0091
Third day current bid rate	5,4945	6,2162
Fourth day current bid rate	5,6458	6,3858
Fifth day current bid rate	5,5274	6,2630
Arithmetic average of the last 31 days:	**5,4649**	**6,1768**
Evaluation rate as of prior perio:	**5,2609**	**6,0280**

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

Information on currency risk of the Group:

Current period	EUR	USD	Other FC(4)	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	23.863.423	14.492.345	4.180.078	42.535.846
Banks	4.561.865	7.234.019	122.561	11.918.445
Financial assets at fair value through profit or loss	8.521	269.957	-	278.478
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	895.793	3.100.608	120.627	4.117.028
Loans (1)	55.268.877	58.893.077	1.864.770	116.026.724
Investments in associates, subsidiaries and joint ventures	-	-	830.442	830.442
Financial assets measured at amortised cost	1.143.487	9.154.619	-	10.298.106
Hedging derivative financial assets	79.633	166.511	-	246.144
Tangible assets	9.573	-	43.282	52.855
Other assets (2)	3.024.254	5.640.868	279.050	8.944.172
Total assets	**88.855.426**	**98.952.004**	**7.440.810**	**195.248.240**
Liabilities				
Bank deposits	569.950	430.637	72.539	1.073.126
Foreign currency deposits	46.366.745	78.247.403	4.174.864	128.789.012
Funds from money market	1.447.602	518.712	-	1.966.314
Funds borrowed from other financial institutions	23.849.899	17.097.903	160.777	41.108.579
Marketable securities issued	1.164.773	20.064.786	66.783	21.296.342
Miscellaneous payables	3.507.292	347.525	37.314	3.892.131
Hedging derivative financial liabilities	72.040	67.513	-	139.553
Other liabilities(3)	1.222.365	30.269.359	55.133	31.546.857
Total liabilities	**78.200.666**	**147.043.838**	**4.567.410**	**229.811.914**
Net on balance sheet position	**10.654.760**	**(48.091.834)**	**2.873.400**	**(34.563.674)**
Net off balance sheet position(5)	**(10.108.759)**	**47.946.384**	**(1.845.948)**	**35.991.677**
Financial derivative assets	14.838.861	88.217.320	2.122.117	105.178.298
Financial derivative liabilities	24.947.620	40.270.936	3.968.065	69.186.621
Net position	**546.001**	**(145.450)**	**1.027.452**	**1.428.003**
Non-cash loans	**32.598.624**	**27.639.761**	**4.934.700**	**65.173.085**
Prior period				
Total assets	83.972.116	86.608.353	8.261.009	178.841.478
Total liabilities	75.065.277	129.283.156	3.840.455	208.188.888
Net on-balance sheet position	**8.906.839**	**(42.674.803)**	**4.420.554**	**(29.347.410)**
Net off-balance sheet position(5)	**(8.649.898)**	**41.447.193**	**(3.030.744)**	**29.766.551**
Financial derivative assets	11.678.811	67.127.521	1.857.074	80.663.406
Financial derivative liabilities	20.328.709	25.680.328	4.887.818	50.896.855
Net position	**256.941**	**(1.227.610)**	**1.389.810**	**419.141**
Non-cash loans	**28.874.888**	**26.186.386**	**4.441.956**	**59.503.230**

(1) Includes FX indexed loans amounting to TL 3.578.944 (December 31, 2018 - TL 4.356.033) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 370.635 (December 31, 2018 - TL 291.474).
(3) Does not include foreign currency other comprehensive income and expense under equity.
(4) Other FC column also includes gold balance.
(5) Forward transactions classified as commitments are also included.

4. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

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

The Parent Bank utilizes TL/FC and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

4.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing[1]	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	13.007.706	-	-	-	-	32.195.998	**45.203.704**
Banks	7.363.960	1.164.330	760.846	89.531	-	6.194.180	**15.572.847**
Financial assets at fair value through profit/loss	472	-	2.128	13.102	62.641	300.559	**378.902**
Receivables from money markets	7.562.782	-	-	-	-	-	**7.562.782**
Financial assets at fair value through other comprehensive income	5.088.668	3.473.058	9.994.856	5.948.442	2.871.977	80.200	**27.457.201**
Loans [1]	40.940.939	46.725.223	66.416.247	79.582.217	11.769.646	(1.444.045)	**243.990.227**
Financial assets measured at amortised cost	1.277.911	1.181.226	8.397.310	3.138.241	10.246.441	-	**24.241.129**
Other assets	1.501.408	2.936.393	1.714.251	2.973.594	364.394	19.530.956	**29.020.996**
Total assets	**76.743.846**	**55.480.230**	**87.285.638**	**91.745.127**	**25.315.099**	**56.857.848**	**393.427.788**
Liabilities							
Bank deposits	2.970.864	10.556	122.186	-	-	1.157.268	**4.260.874**
Other deposits	139.290.139	22.410.424	9.802.488	2.460.041	237.200	41.207.025	**215.407.317**
Funds from money market	2.431.048	826.742	632.614	635.172	-	-	**4.525.576**
Miscellaneous payables	-	-	-	-	-	16.566.015	**16.566.015**
Marketable securities issued	1.380.634	5.498.336	6.107.798	8.069.166	5.577.158	-	**26.633.092**
Funds borrowed from other financial institutions	13.446.990	14.310.253	6.681.858	7.262.749	1.339.348	-	**43.041.198**
Other liabilities[2]	1.488.089	23.386.482	8.087.714	2.532.538	1.648.256	45.850.637	**82.993.716**
Total liabilities	**161.007.764**	**66.442.793**	**31.434.658**	**20.959.666**	**8.801.962**	**104.780.945**	**393.427.788**
Balance sheet long position	**-**	**-**	**55.850.980**	**70.785.461**	**16.513.137**	**-**	**143.149.578**
Balance sheet short position	**(84.263.918)**	**(10.962.563)**	**-**	**-**	**-**	**(47.923.097)**	**(143.149.578)**
Off-balance sheet long position	18.767.193	29.641.683	-	-	-	-	48.408.876
Off-balance sheet short position	-	-	(5.852.179)	(34.354.313)	(7.965.160)	-	(48.171.652)
Total position	**(65.496.725)**	**18.679.120**	**49.998.801**	**36.431.148**	**8.547.977**	**(47.923.097)**	**237.224**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing[1]	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.927.180	-	-	-	-	29.904.128	**56.831.308**
Banks	1.054.624	788.121	1.506.119	84.687	-	1.836.012	**5.269.563**
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	179.813	**248.156**
Money market placements	12.318	84.708	20.205	-	-	-	**117.231**
Available-for-sale financial assets	3.107.302	5.368.953	8.543.658	6.677.678	3.175.156	66.794	**26.939.541**
Loans [1]	39.696.958	34.672.686	76.379.072	73.130.920	12.319.526	(1.231.206)	**234.967.956**
Held-to-maturity investments	4.328.097	2.591.160	2.419.269	3.586.492	9.880.661	-	**22.805.679**
Other assets	1.022.105	2.467.754	1.782.536	3.296.959	489.372	17.138.094	**26.196.820**
Total assets	**76.148.584**	**45.973.387**	**90.651.796**	**86.791.480**	**25.917.372**	**47.893.635**	**373.376.254**
Liabilities							
Bank deposits	8.826.637	337.899	230.691	-	-	1.012.074	**10.407.301**
Other deposits	115.485.681	36.179.812	10.339.682	2.577.490	195.126	35.106.381	**199.884.172**
Funds from money market	2.093.895	443.570	982.748	-	-	-	**3.520.213**
Miscellaneous payables	-	-	-	-	-	14.662.414	**14.662.414**
Marketable securities issued	680.654	5.088.792	3.257.971	9.870.672	2.544.114	-	**21.442.203**
Funds borrowed from other financial institutions	9.335.403	22.115.474	7.032.452	6.690.421	1.898.252	-	**47.072.002**
Other liabilities[2]	1.692.331	17.375.026	7.193.432	1.938.715	604.114	47.584.331	**76.387.949**
Total liabilities	**138.114.601**	**81.540.573**	**29.036.976**	**21.077.298**	**5.241.606**	**98.365.200**	**373.376.254**
Balance sheet long position	**-**	**-**	**61.614.820**	**65.714.182**	**20.675.766**	**-**	**148.004.768**
Balance sheet short position	**(61.966.017)**	**(35.567.186)**	**-**	**-**	**-**	**(50.471.565)**	**(148.004.768)**
Off-balance sheet long position	13.237.750	31.963.808	-	-	-	-	45.201.558
Off-balance sheet short position	-	-	(3.722.500)	(33.959.108)	(7.726.791)	-	(45.408.399)
Total position	**(48.728.267)**	**(3.603.378)**	**57.892.320**	**31.755.074**	**12.948.975**	**(50.471.565)**	**(206.841)**

(1) Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.
(2) Shareholders' equity is presented under "Non interest bearing"

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

4.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets[(1)]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,99	-	13,00
Banks	1,31	2,58	-	24,75
Financial assets at fair value through profit/loss	3,85	6,45	-	13,32
Receivables from money markets	-	-	-	21,62
Financial assets at fair value through other comprehensive income	4,09	5,41	-	18,16
Loans	4,85	7,41	5,15	19,46
Financial assets measured at amortised cost	3,09	5,42	-	21,50
Liabilities [(1)]				
Bank deposits	0,69	3,01	-	24,01
Other deposits	1,47	3,38	1,26	19,67
Funds from money market	0,87	4,52	-	23,48
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,20	4,98	-	18,39
Funds borrowed from other financial institutions	1,84	4,36	2,64	15,69

Prior Period	EURO	USD	Yen	TL
	%	%	%	%
Assets[(1)]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,99	-	17,58
Banks	1,55	1,85	-	22,81
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Money market placements	0,01	-	-	26,93
Available-for-sale financial assets	4,10	5,46	-	18,65
Loans	4,90	7,40	5,15	19,46
Held-to-maturity investments	2,82	5,42	-	18,23
Liabilities [(1)]				
Bank deposits	1,24	2,71	-	24,46
Other deposits	1,94	4,27	1,85	22,13
Funds from money market	0,10	4,46	-	22,69
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,16	5,10	-	19,69
Funds borrowed from other financial institutions	1,87	4,44	2,64	16,41

(1) Does not include demand/non-interest transactions.

5. Explanation on share certificates position risk from banking book:

None.

6. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank doesn't function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Parent Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 56% of total liabilities of the Bank (December 31, 2018 – 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Parent Bank. In addition to the Bank LKO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

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High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on simple arithmetic averages

	Unweighted Amounts		**Weighted Amounts**	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			75.186.333	40.365.646
Cash Outflows				
Retail and Small Business Customers Deposits	119.862.864	58.090.539	10.800.533	5.808.960
Stable deposits	23.715.074	1.877	1.185.754	94
Less stable deposits	96.147.790	58.088.662	9.614.779	5.808.866
Unsecured Funding other than Retail and Small Business Customers Deposits	85.834.939	50.450.397	47.342.353	24.810.783
Operational deposits	-	-	-	-
Non-Operational deposits	66.591.578	45.392.904	30.737.526	19.753.290
Other Unsecured funding	19.243.361	5.057.493	16.604.827	5.057.493
Secured funding	-	-	164.466	158.156
Other Cash Outflows	3.925.655	4.442.083	3.925.655	4.442.083
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	3.925.655	4.442.083	3.925.655	4.442.083
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	96.685.416	69.210.583	4.834.271	3.460.529
Other irrevocable or conditionally revocable commitments	76.454.056	15.895.557	8.185.723	3.620.478
Total Cash Outflows			**75.253.000**	**42.300.989**
Cash Inflows				
Secured Lending Transactions	-	-	16.604	-
Unsecured Lending Transactions	32.383.660	18.340.224	23.983.885	15.358.258
Other contractual cash inflows	1.778.394	20.480.222	1.778.394	20.480.222
Total Cash Inflows	**34.162.054**	**38.820.446**	**25.778.883**	**35.838.480**
			Capped Amounts	
Total High Quality Liquid Assets			**75.186.333**	**40.365.646**
Total Net Cash Outflows			**49.474.117**	**10.575.247**
Liquidity Coverage Ratio (%)			**151,97**	**381,70**

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

Current Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	January 4, 2019	January 4, 2019	March 1, 2019	March 22, 2019
Ratio(%)	271,46	138,66	400,85	171,08

	Unweighted Amounts		**Weighted Amounts**	
Previous Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.363.955	44.615.297
Cash Outflows				
Retail and Small Business Customers Deposits	117.062.064	56.132.353	10.549.624	5.613.177
Stable deposits	23.131.651	1.161	1.156.583	58
Less stable deposits	93.930.413	56.131.192	9.393.041	5.613.119
Unsecured Funding other than Retail and Small Business Customers Deposits	91.519.027	56.615.062	50.542.765	28.231.119
Operational deposits	-	-	-	-
Non-Operational deposits	70.939.732	49.721.502	32.717.588	21.338.775
Other Unsecured funding	20.579.295	6.893.560	17.825.177	6.892.344
Secured funding	-	-	70.039	69.517
Other Cash Outflows	9.572.692	16.589.239	9.572.692	16.589.239
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.572.692	16.589.239	9.572.692	16.589.239
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	95.711.522	67.934.687	4.785.576	3.396.734
Other irrevocable or conditionally revocable commitments	78.407.939	17.588.666	6.129.908	1.277.846
Total Cash Outflows			**81.650.604**	**55.177.632**
Cash Inflows				
Secured Lending Transactions	-	-	467	-
Unsecured Lending Transactions	35.311.991	19.588.304	26.372.518	16.764.278
Other Contractual Cash Inflows	2.183.137	18.712.637	2.183.137	18.712.637
Total Cash Inflows	**37.495.128**	**38.300.940**	**28.556.122**	**35.476.915**
			Capped Amounts	
Total High Quality Liquid Assets			**72.363.955**	**44.615.297**
Total Net Cash Outflows			**53.094.483**	**19.700.717**
Liquidity Coverage Ratio (%)			**136,29**	**226,47**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

	Minimum FC (%)	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	December 21, 2018	October 5, 2018	October 12, 2018	December 21, 2018
Ratio(%)	159,71	122,64	228,13	148,69

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	32.241.102	12.962.602	-	-	-	-	-	45.203.704
Banks	6.194.180	7.363.960	1.164.330	760.846	89.531	-	-	15.572.847
Financial assets at fair value through profit or loss	2.839	472	-	2.128	13.102	62.641	297.720	378.902
Receivables from money markets	-	7.562.782	-	-	-	-	-	7.562.782
Financial assets at fair value through other comprehensive income	-	364.810	1.283.616	2.723.408	16.147.243	6.857.924	80.200	27.457.201
Loans(1)	-	39.741.898	24.079.381	60.318.045	98.913.568	22.381.380	(1.444.045)	243.990.227
Financial assets measured at amortised cost	-	37.711	20.485	1.087.821	6.923.637	16.171.475	-	24.241.129
Other assets	3.751.439	1.026.339	1.753.716	2.231.944	3.688.416	810.669	15.758.473	29.020.996
Total assets	**42.189.560**	**69.060.574**	**28.301.528**	**67.124.192**	**125.775.497**	**46.284.089**	**14.692.348**	**393.427.788**
Liabilities								
Bank deposits	1.157.268	2.970.864	10.556	122.186	-	-	-	4.260.874
Other deposits	41.207.025	139.290.139	22.410.424	9.802.488	2.460.041	237.200	-	215.407.317
Funds borrowed from other financial institutions	-	2.745.926	11.568.514	15.394.976	9.734.230	3.597.552	-	43.041.198
Funds from money market	-	2.431.048	826.742	632.614	635.172	-	-	4.525.576
Marketable securities issued	-	1.380.634	2.096.966	6.549.853	10.710.099	5.895.540	-	26.633.092
Miscellaneous payables	1.015.211	14.924.722	247.571	181.299	-	-	197.212	16.566.015
Other liabilities(2)	2.159.374	840.687	1.472.454	2.354.455	23.488.406	10.766.367	41.911.973	82.993.716
Total liabilities	**45.538.878**	**164.584.020**	**38.633.227**	**35.037.871**	**47.027.948**	**20.496.659**	**42.109.185**	**393.427.788**
Net liquidity gap	**(3.349.318)**	**(95.523.446)**	**(10.331.699)**	**32.086.321**	**78.747.549**	**25.787.430**	**(27.416.837)**	**-**
Net Off-Balance Sheet Position	**-**	**17.044**	**170.653**	**(433.014)**	**(304.863)**	**787.404**	**-**	**237.224**
Derivative Financial Assets	-	49.976.092	39.307.195	34.666.400	68.648.682	41.092.130	-	233.690.499
Derivative Financial Liabilities	-	49.959.048	39.136.542	35.099.414	68.953.545	40.304.726	-	233.453.275
Non-Cash Loans	**-**	**4.137.545**	**9.003.489**	**31.669.431**	**15.950.076**	**5.675.093**	**25.514.703**	**91.950.337**

Prior Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Total assets	42.378.411	62.312.795	27.280.537	63.169.427	121.014.446	46.150.267	11.070.371	373.376.254
Total liabilities	40.952.817	146.026.076	55.214.254	46.381.480	31.622.257	11.505.641	41.673.729	373.376.254
Liquidity gap	**1.425.594**	**(83.713.281)**	**(27.933.717)**	**16.787.947**	**89.392.189**	**34.644.626**	**(30.603.358)**	**-**
Net Off-Balance Sheet Position	**-**	**(902.831)**	**277.849**	**105.446**	**(359.509)**	**672.204**	**-**	**(206.841)**
Derivative Financial Assets	-	48.551.700	19.488.079	30.856.012	67.131.478	35.775.387	-	201.802.656
Derivative Financial Liabilities	-	49.454.531	19.210.230	30.750.566	67.490.987	35.103.183	-	202.009.497
Non-Cash Loans	**-**	**3.400.820**	**8.544.541**	**29.612.655**	**13.710.204**	**6.209.896**	**24.307.073**	**85.785.189**

(1) Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.
(2) Shareholders' equity is presented in the "Unclassified" column.

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

7. Explanations on consolidated leverage ratio:

The main reason for the increase in leverage ratio for the current period is the increase in Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period[2]	**Prior Period[2]**
1	Total assets in the consolidated financial statements prepared in accordance with TAS[1]	377.077.150	377.436.485
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.215.170	2.274.785
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.975.697	4.916.012
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.881.154)	(6.370.030)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(16.555.320)	(15.747.074)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(5.877.471)	(8.483.428)
7	Total Risks	567.511.946	549.163.000

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.
(2) The arithmetic average of the last 3 months in the related periods.

		Current Period[1]	**Prior Period[1]**
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	370.936.508	368.518.621
2	(Asset amounts deducted in determining Tier 1 capital)	(6.301.698)	(5.976.314)
3	Total on-Balance sheet exposures	364.634.810	362.542.307
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	1.264.947	2.699.516
5	Potential credit risk of derivative financial instruments and credit derivatives	4.975.697	4.916.012
6	Total derivative financial instruments and credit derivatives exposure	6.240.644	7.615.528
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	568.168	470.170
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	568.168	470.170
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	212.623.644	194.282.069
11	(Adjustments for conversion to credit equivalent amounts)	(16.555.320)	(15.747.074)
12	Total risk of off-balance sheet items	196.068.324	178.534.995
	Capital and total exposure		
13	Tier 1 capital	38.700.613	34.298.597
14	Total exposures	567.511.946	549.163.000
15	**Leverage ratio (%)**	**6,82**	**6,26**

(1) The arithmetic average of the last 3 months in the related periods.

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

8. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of March 31, 2019:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is clasified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is clasified under " Derivative financial assets at fair value through other comprehensive income " if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through other comprehensive income ".

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at March 31, 2019 of these hedging instruments are presented in the table below:

		Current Period				Prior Period
	Notional(1)	Asset	Liability	Notional(1)	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	45.457.433	2.174.748	841.182	46.404.018	3.169.086	611.406
Cross currency interest rate swap (FVH)	2.242.227	78.151	314.748	2.215.979	80.703	313.994
Total	**47.699.660**	**2.252.899**	**1.155.930**	**48.619.997**	**3.249.789**	**925.400**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 47.339.555 (December 31, 2018 - TL 48.640.730) the total notional of derivative financial assets amounting to TL 95.039.215 (December 31, 2018 - TL 97.260.727) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3. Part 4.

8.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.
Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.
The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39- Financial Instruments: Recognition and Measurement".

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

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	39.737	-	314.748	(4.428)

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	12.103

(1) The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 2.707 loss (March 31 2018- TL 2.400 loss).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

8.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

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

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[1]**	**Net gain/(loss) reclassified to equity[2][3]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	2.174.748	841.182	1.148.401	(594.903)

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[1]**	**Net gain/(loss) reclassified to equity[2][3]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	3.169.086	611.406	1.743.304	906.613

(1) Includes deferred tax impact.
(2) Includes tax and foreign exchange differences.
(3) The ineffective portion of the mentioned hedging transaction is TL 108.099 income (March 31, 2018 – TL – 6.249 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

8.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at March 31, 2019 is EUR 438 million (December 31, 2018 - EUR 430 million).

9. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

10. Explanations on consolidated operating segments:

The Group carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking.

The Parent Bank's Retail Banking activities include card payment systems, SME banking, individual and Platinum banking, Private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, SME Banking Packages, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, mutual funds,Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VIOP) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury managemet's results, operations of supporting business units and other unallocated transactions.

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

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Major balance sheet and income statement items based on operating segments:

Current Period	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments (1)	Total operations of the Group
Operating revenue continuing	2.199.421	2.394.411	112.066	279.625	427.530	(1.252)	5.411.801
Operating expenses continuing	(1.710.896)	(972.894)	(40.749)	(100.822)	(1.042.620)	1.252	(3.866.729)
Net operating income continuing	**488.525**	**1.421.517**	**71.317**	**178.803**	**(615.090)**	**-**	**1.545.072**
Dividend income (2)	-	-	-	-	9.847	-	9.847
Income/Loss from Investments accounted based on equity method(2)	-	-	-	-	27.940	-	27.940
Profit before tax	**488.525**	**1.421.517**	**71.317**	**178.803**	**(577.303)**	**-**	**1.582.859**
Tax expense(2)	-	-	-	-	(341.412)	-	(341.412)
Net period income from continuing operations	**488.525**	**1.421.517**	**71.317**	**178.803**	**(918.715)**	**-**	**1.241.447**
Minority interest (-)	-	-	-	-	(37)	-	(37)
Group income/loss	**488.525**	**1.421.517**	**71.317**	**178.803**	**(918.752)**	**-**	**1.241.410**
Segment assets	76.668.346	133.005.874	13.281.775	20.399.492	152.289.186	(3.329.624)	392.315.049
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.112.739	-	1.112.739
Total assets	**76.668.346**	**133.005.874**	**13.281.775**	**20.399.492**	**153.401.925**	**(3.329.624)**	**393.427.788**
Segment liabilities	136.791.478	74.798.523	10.219.924	17.534.790	118.338.907	(3.329.132)	354.354.490
Shareholders' equity	-	-	-	-	39.073.298	-	39.073.298
Total liabilities	**136.791.478**	**74.798.523**	**10.219.924**	**17.534.790**	**157.412.205**	**(3.329.132)**	**393.427.788**

Prior Period (3)	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments (1)	Total operations of the Group
Operating revenue continuing	1.360.950	962.869	89.073	253.352	1.358.433	(3.013)	4.021.664
Operating expenses continuing	(1.235.439)	(312.132)	(31.808)	(78.172)	(786.321)	3.043	(2.440.829)
Net operating income continuing	**125.511**	**650.737**	**57.265**	**175.180**	**572.112**	**30**	**1.580.835**
Dividend income (2)	-	-	-	-	4.021	-	4.021
Income/Loss from Investments accounted based on equity method(2)	-	-	-	-	28.166	-	28.166
Profit before tax	**125.511**	**650.737**	**57.265**	**175.180**	**604.299**	**30**	**1.613.022**
Tax expense (2)	-	-	-	-	(368.939)	-	(368.939)
Net period income from continuing operations	**125.511**	**650.737**	**57.265**	**175.180**	**235.360**	**30**	**1.244.083**
Minority interest (-)	-	-	-	-	(35)	-	(35)
Group income/loss	**125.511**	**650.737**	**57.265**	**175.180**	**235.325**	**30**	**1.244.048**
Segment assets	80.911.357	125.801.320	14.332.022	19.849.689	134.540.954	(3.140.521)	372.294.821
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.081.433	-	1.081.433
Total assets	**80.911.357**	**125.801.320**	**14.332.022**	**19.849.689**	**135.622.387**	**(3.140.521)**	**373.376.254**
Segment liabilities	172.116.780	76.729.909	11.470.565	16.998.446	60.193.797	(3.140.521)	334.368.976
Shareholders' equity	-	-	-	-	39.007.278	-	39.007.278
Total liabilities	**172.116.780**	**76.729.909**	**11.470.565**	**16.998.446**	**99.201.075**	**(3.140.521)**	**373.376.254**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

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

Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1 Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash	1.442.181	4.001.605	1.443.460	3.443.030
The CBRT(1)	1.225.677	37.867.387	15.313.011	35.417.868
Other	-	666.854	-	1.213.939
Total	**2.667.858**	**42.535.846**	**16.756.471**	**40.074.837**

(1) The balance of gold amounting to TL 3.929.505 is accounted for under the Central Bank foreign currency account (December 31, 2018 – TL 4.233.215).

1.1.2 Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Demand unrestricted amount (1)	1.225.677	24.930.490	8.416.404	21.436.238
Time unrestricted amount	-	-	6.896.607	-
Time restricted amount	-	-	-	-
Reserve requirement(2)	-	12.936.897	-	13.981.630
Total	**1.225.677**	**37.867.387**	**15.313.011**	**35.417.868**

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.
(2) The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2018 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward transactions	748.280	-	940.093	133
Swap transactions	4.957.471	753.078	3.909.672	664.415
Futures transactions	-	-	-	-
Options	325.974	49.076	256.107	47.662
Other	-	1.270	72	41
Total	**6.031.725**	**803.424**	**5.105.944**	**712.251**

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

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	-	78.151	-	80.703
Cash flow hedges [1]	2.006.755	167.993	2.869.353	299.733
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.006.755**	**246.144**	**2.869.353**	**380.436**

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	3.647.703	3.475.495	231.581	1.877.059
Foreign[1]	6.699	8.442.950	6.017	3.154.983
Head quarters and branches abroad	-	-	-	-
Total	**3.654.402**	**11.918.445**	**237.598**	**5.032.042**

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 25.136 (December 31, 2018 –TL 15.594).

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of March 31, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 1.511.852 (December 31, 2018 -TL 1.292.400) and subject to repo transactions amounts to TL 1.106.321. (December 31, 2018 -TL 959.438)

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

	Current Period	Prior Period
Debt securities	29.097.925	27.926.090
Quoted on stock exchange [1]	28.816.504	27.662.947
Not quoted	281.421	263.143
Share certificates	125.638	112.232
Quoted on stock exchange	226	213
Not quoted	125.412	112.019
Impairment provision (-)[2]	1.766.362	1.154.642
Total	**27.457.201**	**26.883.680**

(1) As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from financial assets at fair value through other comprehensive income to financial assets measured at amortised cost.

(2) Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

1.7. Explanations on loans:

1.7.1 Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**162.305**	**1.265.689**	**90.240**	**1.351.956**
Loans granted to employees	**175.799**	**485**	**172.230**	**510**
Total	**338.104**	**1.266.174**	**262.470**	**1.352.466**

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

1.7.2 Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Non-specialized loans	**193.776.058**	**29.415.389**	**2.530.811**	**4.738.529**
Loans given to enterprises	90.528.065	24.567.671	1.088.506	2.279.938
Export loans	16.522.417	471.457	44.001	340.079
Import loans	-	-	-	-
Loans given to financial sector	3.563.728	-	-	-
Consumer loans	30.414.388	1.379.359	2.424	865.507
Credit cards	25.591.598	1.255.339	-	641.515
Other(1)	27.155.862	1.741.563	1.395.880	611.490
Specialized loans	-	-	-	-
Other receivables	**14.062.584**	**910.901**	-	-
Total	**207.838.642**	**30.326.290**	**2.530.811**	**4.738.529**

(1) Fair value differences of the hedged items amounting to TL 19.500 are classified in other loans as explained in Note 8, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.243.703	-
Significant increase in credit risk	-	4.097.225
Total	**1.243.703**	**4.097.225**

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

1.7.3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	**552.072**	**29.918.498**	**30.470.570**
Real estate loans	3.396	11.839.857	11.843.253
Automotive loans	31.597	514.643	546.240
Consumer loans	517.079	17.563.998	18.081.077
Other	-	-	-
Consumer loans-FC indexed	**-**	**16.891**	**16.891**
Real estate loans	-	16.891	16.891
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	**12.230**	**83.048**	**95.278**
Real estate loans	705	22.596	23.301
Automotive loans	60	841	901
Consumer loans	9.257	51.314	60.571
Other	2.208	8.297	10.505
Individual credit cards-TL	**18.368.154**	**728.251**	**19.096.405**
With installments	8.820.061	246.154	9.066.215
Without installments	9.548.093	482.097	10.030.190
Individual credit cards-FC	**64.652**	**31.810**	**96.462**
With installments	42.329	31.810	74.139
Without installments	22.323	-	22.323
Personnel loans-TL	**7.905**	**62.361**	**70.266**
Real estate loans	-	2.044	2.044
Automotive loans	74	312	386
Consumer loans	7.831	60.005	67.836
Other	-	-	-
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	**182**	**791**	**973**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	182	791	973
Other	-	-	-
Personnel credit cards-TL	**101.336**	**284**	**101.620**
With installments	47.620	205	47.825
Without installments	53.716	79	53.795
Personnel credit cards-FC	**903**	**252**	**1.155**
With installments	331	252	583
Without installments	572	-	572
Credit deposit account-TL (Real Person)[1]	**2.007.688**	**-**	**2.007.688**
Credit deposit account-FC (Real Person)	**12**	**-**	**12**
Total	**21.115.134**	**30.842.186**	**51.957.320**

(1) TL 1.785 of the credit deposit account belongs to the loans used by personnel.

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

1.7.4. Information on commercial installment loans and corporate credit cards:

	Short- term	Medium and long-term	Total
Commercial installments loans-TL	**1.074.888**	**18.966.329**	**20.041.217**
Business loans	1.090	1.382.420	1.383.510
Automotive loans	84.582	739.469	824.051
Consumer loans	989.216	16.844.440	17.833.656
Commercial installments loans-FC indexed	**395**	**121.096**	**121.491**
Business loans	-	8.514	8.514
Automotive loans	-	27.181	27.181
Consumer loans	395	85.401	85.796
Corporate credit cards-TL	**8.184.418**	**6.532**	**8.190.950**
With installment	4.789.347	981	4.790.328
Without installment	3.395.071	5.551	3.400.622
Corporate credit cards-FC	**1.860**	**-**	**1.860**
With installment	-	-	-
Without installment	1.860	-	1.860
Credit deposit account-TL (legal person)	**1.094.655**	**-**	**1.094.655**
Credit deposit account-FC (legal person)	**-**	**-**	**-**
Total	**10.356.216**	**19.093.957**	**29.450.173**

1.7.5. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Public	237.631.589	228.447.608
Private	7.802.683	7.751.554
Total	**245.434.272**	**236.199.162**

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	10.303	8.537
Indirect loans granted to associates and subsidiaries	-	-
Total	**10.303**	**8.537**

1.7.7. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans and other receivables with limited collectability	689.358	1.210.885
Loans and other receivables with doubtful collectability	2.336.099	1.703.093
Uncollectible loans and other receivables	7.170.221	6.658.175
Total	**10.195.678**	**9.572.153**

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

1.7.8. Information on non-performing loans (net):

1.7.8.1 Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	**70.069**	**117.198**	**92.669**
Restructured loans	70.069	117.198	92.669
Prior Period			
(Gross amounts before specific reserves)	**57.548**	**109.283**	**70.668**
Restructured loans	57.548	109.283	70.668

1.7.8.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period(1)	**2.920.768**	**2.701.936**	**7.677.658**
Additions (+)	1.273.087	120.744	201.235
Transfers from other categories of non-performing loans (+)	-	2.685.113	1.170.537
Transfer to other categories of non-performing loans (-)	2.685.113	1.170.537	-
Collections (-)	101.784	114.402	204.499
FX valuation differences	53	250	14.086
Write-offs (-)(2)	-	-	242
Sold (-)	-	-	396.329
Corporate and commercial loans	-	-	85.942
Consumer loans	-	-	166.933
Credit cards	-	-	143.454
Other	-	-	-
Current Period	**1.407.011**	**4.223.104**	**8.462.446**
Specific provision (-)	689.358	2.336.099	7.170.221
Net balance on balance sheet	**717.653**	**1.887.005**	**1.292.225**

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 396.329 to a selection of asset management companies for a total amount of TL 24.040.

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

1.7.8.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	187.655	1.953.064	1.692.953
Specific provision (-)	77.281	1.052.105	1.246.637
Net balance on-balance sheet	**110.374**	**900.959**	**446.316**
Prior Period			
Period end balance	1.305.753	1.360.289	1.050.266
Specific provision (-)	426.159	842.942	947.762
Net balance on-balance sheet	**879.594**	**517.347**	**102.504**

1.7.8.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	**717.653**	**1.887.005**	**1.292.225**
Loans granted to real persons and corporate entities (gross)	1.407.011	4.223.104	8.349.275
Provision amount (-)	689.358	2.336.099	7.057.050
Loans granted to real persons and corporate entities (net)	717.653	1.887.005	1.292.225
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans (Net)	-	-	-
Prior Period (net)	**1.709.883**	**998.843**	**1.019.483**
Loans granted to real persons and corporate entities (gross)	2.920.768	2.701.936	7.564.487
Specific provision amount (-)	1.210.885	1.703.093	6.545.004
Loans granted to real persons and corporate entities (Net)	1.709.883	998.843	1.019.483
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

1.7.8.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (net)	**39.057**	**106.195**	**16.997**
Interest accruals and rediscounts and valuation differences	84.932	395.710	190.639
Provision amount (-)	45.875	289.515	173.642
Prior Period (net)	**63.343**	**54.249**	**9.997**
Interest accruals and rediscounts and valuation differences	226.817	261.143	92.601
Provision amount (-)	163.474	206.894	82.604

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

1.7.9. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected as "loans and other receivables with limited collectability" and "loans and other receivables with doubtful collectability" by restructuring and/or voluntary payments and liquidation of collaterals through legal follow-up.

1.7.10. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

1.8. Information on financial assets at amortized cost:

1.8.1. Information on Financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of March 31, 2019 financial assets measured at amortised cost given as collateral/blocked amounts to TL 12.660.044 (December 31, 2018: TL 9.738.610) and subject to repo transactions amounts to TL 1.752.937. (December 31, 2018: TL 862.058)

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	**Prior Period**
Government bond	23.506.998	22.044.650
Treasury bill	-	-
Other debt securities	734.131	761.029
Total	**24.241.129**	**22.805.679**

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	**Prior Period**
Debt securities	24.960.157	23.446.720
Quoted on stock exchange	24.960.157	23.446.720
Not quoted	-	-
Impairment provision (-)[1]	719.028	641.041
Total	**24.241.129**	**22.805.679**

(1) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

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

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	**22.805.679**	**14.197.066**
Foreign currency differences on monetary assets[(1)]	778.196	4.794.227
Purchases during year	943.747	4.065.376
Transfers[(2)]	-	1.998.350
Disposals through sales and redemptions	208.506	1.985.886
Impairment provision (-)[(3)]	77.987	263.454
Period end balance	**24.241.129**	**22.805.679**

(1) Also includes the changes in the interest income accruals.
(2) As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost"in prior period.
(3) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu[(1)]	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş.[(1)]	Istanbul/Türkiye	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	342.784	211.006	206.138	16.750	-	41.206	44.498	-
2	117.093	64.965	56.060	3.632	-	15.953	9.004	-

(1) Financial statement information disclosed above shows December 31, 2018 results.

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

1.9.3. Consolidated investments in associates:
1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)(1)
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

(1) The other shareholders represent the consolidated Group companies.

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	19.838.227	2.849.948	23.292	118.530	14.602	42.542	67.050	-
2	1.702.445	497.969	100.795	57.645	-	76.460	64.302	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**1.046.867**	**772.025**
Movements during the period	**31.531**	**274.842**
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	28.165	113.038
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries(1)	48.907	201.522
Impairment provision (-)(2)	45.541	39.718
Balance at the end of the period	**1.078.398**	**1.046.867**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes dividend income received in the current period.
(2) Includes the differences in the other comprehensive income related with the equity method accounting

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	830.442	784.140
Insurance companies	247.956	262.727
Total financial investments	**1.078.398**	**1.046.867**

1.9.8. Investments in associates quoted on stock exchange: None.

1.10. Information on subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

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

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in Capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	95.737	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	52.856	(1.385)	(2.143)	(865)	-
Other comprehensive income that will be classified under profit or loss	(118)	-	-	-	1.419.811
Legal Reserves	62.493	8.034	79.305	27.469	-
Extraordinary Reserves	166.189	137.940	659.399	-	789.856
Other Profit Reserves	-	-	-	-	-
Income or Loss	(13.667)	132.709	1.366.107	8.374	47.878
Current Year Income/Loss	56.279	30.951	90.120	8.374	47.878
Prior Years' Income/Loss	(69.946)	101.758	1.275.987	-	-
Leasehold improvements (-)	213	232	-	213	272
Intangible assets (-)	29.814	3.302	9.606	700	676
Total core capital	**432.381**	**334.478**	**2.265.886**	**41.707**	**2.369.039**
Supplementary capital	**27.708**	**636**	**4.989**	**-**	**23.676**
Capital	**460.089**	**335.114**	**2.270.875**	**41.707**	**2.392.715**
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	**460.089**	**335.114**	**2.270.875**	**41.707**	**2.392.715**

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of March 31, 2019.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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

1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	İstanbul/Türkiye	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3	Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	46.739	30.565	1.602	1	-	2.710	2.583	-
2	46.276	32.578	4.830	1.333	-	1.291	697	-
3	11.745	8.778	4.463	590	-	1.143	745	

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi NV (1)	Amsterdam/Nederlands	67,24	100,00
7	Yapı Kredi Azerbaycan	Bakü/Azerbaijan	99,80	100,00
8	Yapı Kredi Malta	St.Julian/Malta	-	100,00

(1) Includes the balances for Stiching Custody Services YKB.

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

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

1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	233.917	233.663	-	-	-	128	(304)	-	-
2	4.366.847	462.408	53.633	41.160	5.662	56.279	46.062	-	-
3	3.062.707	338.012	6.874	110.443	-	30.951	26.571	-	-
4	13.169.282	2.275.492	13.522	250.242	-	90.120	95.270	-	-
5	54.486	42.620	1.702	3.936	-	8.374	9.644	-	-
6	10.874.383	2.369.986	9.011	139.337	4.113	47.878	37.531	-	-
7	1.335.212	291.127	70.590	19.060	2.401	4.388	5.559	-	-
8	1.058.715	387.526	1.807	7.537	195	1.310	1.124	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**5.971.254**	**4.800.064**
Movements during the period	**199.349**	**1.171.190**
Purchases	-	-
Free shares obtained profit from current years share	335	-
Share of current year income	211.232	707.668
Sales(-) (1)	-	-
Revaluation (decrease) / increase (2), (3)	155.276	511.903
Impairment provision (-)(4)	167.494	48.381
Balance at the end of the period	**6.170.603**	**5.971.254**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes the differences in the other comprehensive income of consolidated subsidiaries.
(2) Includes dividend income received in the current period.

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	1.884.197	1.755.210
Insurance companies	-	-
Factoring companies	337.851	306.915
Leasing companies	2.275.355	2.185.240
Finance companies	-	-
Other financial subsidiaries	1.673.200	1.723.889
Total financial subsidiaries	**6.170.603**	**5.971.254**

1.10.6. Subsidiaries quoted on stock exchange:

None.

1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

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

1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	93.761	77.275	23.881	69.880	8.534	11.394	12.057
Total			**93.761**	**77.275**	**23.881**	**69.880**	**8.534**	**11.394**	**12.057**

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	5.715.165	4.878.271	5.516.800	4.568.759
Between 1- 4 years	7.466.120	6.370.190	7.588.989	6.578.470
More than 4 years	1.493.486	1.339.720	1.803.181	1.628.234
Total	**14.674.771**	**12.588.181**	**14.908.970**	**12.775.463**

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	3.346.280	11.328.491	3.403.167	11.505.586
Unearned financial income from leases (-)	668.043	1.418.547	703.195	1.430.095
Amount of cancelled leases (-)	-	-	-	-
Total	**2.678.237**	**9.909.944**	**2.699.972**	**10.075.491**

1.13. Information on investment property:

None. (December 31, 2018 - None).

1.14. Information on deferred tax asset

There is a deferred tax asset amounting to TL 842.627 and deferred tax liability amounting to TL 8.593 as of December 31, 2018 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2018 – TL 712.891 deffered tax asset and TL 10.666 deferred tax liability).

1.15. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	**298.470**	**209.854**
Additions	49.523	159.194
Disposals (-), net	23.709	73.067
Impairment provision reversal	43	1.450
Impairment provision (-)	-	309
Translation differences	606	1.348
Net book value at the end of the period	**324.933**	**298.470**
Cost at the end of the period	333.765	307.586
Accumulated depreciation at the end of the period (-)	8.832	9.116
Net book value at the end of the period	**324.933**	**298.470**

As of March 31, 2019, the Group booked impairment provision on assets held for resale with an amount of TL 4.646 (December 31, 2018 - TL 4.689)

1.16. Information on other assets:

As of March 31, 2019, other assets do not exceed 10% of the total assets

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

2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	7.240.162	15.912.444	26.318.762	1.798.424	1.358.524	962.587	1.332	53.592.235
Foreign currency deposits	24.234.898	21.767.248	63.307.831	5.515.093	5.066.114	6.619.855	-	126.511.039
Residents in Turkey	21.678.390	21.405.023	61.167.936	4.662.542	2.747.053	1.630.766	-	113.291.710
Residents abroad	2.556.508	362.225	2.139.895	852.551	2.319.061	4.989.089	-	13.219.329
Public sector deposits	655.639	103	9.973	460	84	24	-	666.283
Commercial deposits	7.430.540	12.605.324	7.577.411	614.437	950.840	79.474	-	29.258.026
Other institutions deposits	124.247	155.953	1.575.469	78.384	1.118.489	49.219	-	3.101.761
Precious metals vault	1.521.539	159.538	408.870	62.351	95.532	30.143	-	2.277.973
Bank deposits	1.157.268	1.651.019	1.136.693	283.561	27.894	4.439	-	4.260.874
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	41.344	1.607.965	708.684	168.047	27.888	4.439	-	2.558.367
Foreign banks	229.699	43.054	428.009	115.514	6	-	-	816.282
Participation banks	886.225	-	-	-	-	-	-	886.225
Other	-	-	-	-	-	-	-	-
Total	**42.364.293**	**52.251.629**	**100.335.009**	**8.352.710**	**8.617.477**	**7.745.741**	**1.332**	**219.668.191**

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.650.198	2.165.456	36.823.863	8.313.437	1.333.258	877.060	1.160	56.164.432
Foreign currency deposits	20.093.087	13.142.080	63.479.684	4.779.280	4.687.717	5.014.165	-	111.196.013
Residents in Turkey	17.632.628	12.129.420	61.903.652	4.149.880	2.650.519	1.554.838	-	100.020.937
Residents abroad	2.460.459	1.012.660	1.576.032	629.400	2.037.198	3.459.327	-	11.175.076
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.891.404	7.599.008	10.354.409	1.784.661	993.821	62.283	-	26.685.586
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.012.074	7.465.716	1.492.358	297.604	135.375	4.174	-	10.407.301
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.728	4.413.177	482.447	270.743	28.239	4.174	-	5.212.508
Foreign banks	224.956	183.077	1.009.911	26.861	107.136	-	-	1.551.941
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**36.118.455**	**30.628.968**	**113.823.444**	**15.453.068**	**8.229.738**	**6.036.640**	**1.160**	**210.291.473**

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
Saving deposits[(1)]	**Current period**	**Prior period**	**Current period**	**Prior period**
Saving deposits	25.888.875	26.749.561	27.703.360	29.414.866
Foreign currency savings deposit	15.178.924	12.217.306	45.852.530	39.666.935
Other deposits in the form of savings deposits	1.000.019	807.367	1.058.516	822.760
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

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

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	10.094	9.744
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	452.914	284.829
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	146.160	-	143.108	66
Swap transactions[1]	4.316.756	1.420.601	5.129.217	785.267
Futures transactions	-	-	-	-
Options	301.204	44.209	248.837	49.638
Other	1.928	879	5.347	869
Total	**4.766.048**	**1.465.689**	**5.526.509**	**835.840**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	314.748	-	313.994	-
Cash flow hedges [1]	701.629	139.553	542.895	68.511
Hedges for investments made in foreign countries	-	-	-	-
Total	**1.016.377**	**139.553**	**856.889**	**68.511**

(1) Explained in Note 8 of section 4

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	1.914.587	1.929.203	1.319.479	1.653.153
From foreign banks, institutions and funds	18.032	39.179.376	10.117	44.089.253
Total	**1.932.619**	**41.108.579**	**1.329.596**	**45.742.406**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.832.357	6.447.028	1.303.939	13.622.616
Medium and long-term	100.262	34.661.551	25.657	32.119.790
Total	**1.932.619**	**41.108.579**	**1.329.596**	**45.742.406**

2.3.3. Information on marketable securities issued

	Curreny Period		Prior Period	
	TL	FC	TL	FC
Bills	3.619.843	-	1.373.498	-
Asset backed securities [1]	-	3.952.538	-	3.835.712
Bonds [2]	1.716.907	17.343.804	2.526.863	13.706.130
Total	**5.336.750**	**21.296.342**	**3.900.361**	**17.541.842**

(1) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.
(2) Including mortgage backed securities amounting to TL 1.613.540 as of March 31, 2019 (December 31, 2018 – 1.218.736 TL).

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

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of March 31, 2019, the total amount of financial liabilities classified as fair value through profit/loss is TL 11.838.126 (December 31, 2018 –TL 7.965.404) with an accrued interest income of TL 970.601 (December 31, 2018 - TL 413.597 income) and with a fair value difference of TL 566.553 recognized in the income statement as an income (December 31, 2018 - TL 566.340 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of March 31, 2019 are TL 12.527.307 (December 31, 2018: TL 8.115.956) for buy legs and TL 12.527.307 (December 31, 2018: TL 8.115.956) for sell legs with a fair value differences amounting to TL 880.597 liability (December 31, 2018 –TL 346.698 liability). The mentioned total return swaps have 9 year maturity in average.

2.4. Information on other liabilities:

As of March 31, 2019, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period		Prior Period	
	Brüt	**Net**	**Brüt**	**Net**
Less then 1 year	319.928	188.779	-	-
Between 1-4 years	665.583	396.685	-	-
More then 4 years	557.024	323.307	-	-
Toplam	**1.542.535**	**908.771**	-	-

(1) The Group has adopted TFRS 16 standard as of 1 January 2019. As an opening balance, TL 846.301 is recognised as "lease payables".

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS 19- Employee Rights", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	5,65	5,65
Possibility of being eligible for retirement (%)	94,45	94,45

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.017,60 effective from January 1, 2019 (January 1, 2018 - full TL 5.001,76) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**463.258**	**400.547**
Changes during the period	16.447	65.569
Recognized in equity	(559)	52.110
Paid during the period	(20.593)	(54.968)
Foreign currency differences	-	-
Balance at the end of the period	**458.553**	**463.258**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 235.320 as of March 31, 2019 (December 31, 2018 - TL 219.010).

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

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of March 31, 2019, there is provision amounting TL 13 provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2018 - TL 435). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.3. Other provisions:

2.6.3.1. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	921.350	921.350
Provisions on unindemnified non cash loans	732.519	762.204
Generic provisions on non cash loans	164.724	104.118
Provision on lawsuits	160.029	158.325
Provisions on credit cards and promotion campaigns related to banking services	53.598	54.311
Other	795.721	776.609
Total	**2.827.941**	**2.776.917**

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	70.884	665.364
Taxation of Marketable Securities	239.978	162.568
Property Tax	4.434	3.290
Banking Insurance Transaction Tax ("BITT")	146.776	164.713
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	8.845	14.119
Other	123.940	65.178
Total	**594.857**	**1.075.232**

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	1.212	485
Social security premiums - employer	1.357	545
Bank pension fund premiums - employee	29.568	20.558
Bank pension fund premiums - employer	40.992	21.210
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	2.111	1.467
Unemployment insurance - employer	4.221	2.935
Other	-	-
Total	**79.461**	**47.200**

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

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None. (December 31, 2018- None)

2.9. Information on subordinated debt[(1)]:

	Current Period		Prior Period	
	TP	YP	TP	YP
Debt instruments to be included in additional capital calculation[(2)]	**-**	**3.753.794**	**-**	**-**
Subordinated loans	-	-	-	-
Subordinated debt	-	3.753.794	-	-
Debt instruments to be included in contribution capital calculation	**-**	**13.300.639**	**-**	**13.557.153**
Subordinated loans[(3)]	-	4.834.046	-	5.574.724
Subordinated debt	-	8.466.593	-	7.982.429
Total	**-**	**17.054.433**	**-**	**13.557.153**

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four

(2) On January 15, 2019, the Parent Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.

(3) On January 16, 2019, the Parent Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None. (December 31, 2018 - 4.100.000 TL).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None. (December 31, 2018 - None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None. (December 31, 2018 - None).

2.10.6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock tors:

None. (December 31, 2018 - None).

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

2.10.8. Information on value increase fund of marketable securities:

	Cari Dönem		Önceki Dönem	
	TP	YP	TP	YP
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Revaluation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Financial assets at fair value through other comprehensive income(1)	**(2.118.247)**	**(358.940)**	**(1.485.889)**	**(290.416)**
Revaluation difference	(2.118.247)	(358.940)	(1.485.889)	(290.416)
Foreign currency differences	-	-	-	-
Total	**(2.118.247)**	**(358.940)**	**(1.485.889)**	**(290.416)**

(1) Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	**611**	**541**
Current period income/(loss)	37	112
Dividends paid	(50)	(42)
Period ending balance	**598**	**611**

2.10.10. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 4.667.426 as of December 31, 2018, in accordance with the General Assembly dated March 18, 2019 as follows: TL 233.371 to be transferred to legal reserves and the remaining TL 4.434.055 to be transferred to extraordinary reserves.

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

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	37.050.811	35.189.895
Loan granting commitments	13.060.972	12.360.621
Commitments for cheques	3.591.570	2.990.824
Other irrevocable commitments	49.876.252	15.267.507
Total	**103.579.605**	**65.808.847**

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 164.724 (December 31, 2018 - TL 104.118) and specific provision amounting to TL 1.170.098 (December 31, 2018 - TL 1.079.128) for non-cash loans which are not indemnified yet amounting to TL 732.519 (December 31, 2018 - TL 762.204).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	175.378	200.915
Letter of credits	13.156.007	11.192.813
Other guarantees and collaterals	8.650.709	7.923.230
Total	**21.982.094**	**19.316.958**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.721.342	1.300.681
Definite letter of guarantees	40.946.946	40.157.923
Advance letter of guarantees	11.874.377	11.080.557
Letter of guarantees given to customs	2.814.742	2.442.000
Other letter of guarantees	12.610.836	11.487.070
Total	**69.968.243**	**66.468.231**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	13.063.610	11.989.428
With original maturity of 1 year or less than 1 year	3.230.565	2.376.215
With original maturity of more than 1 year	9.833.045	9.613.213
Other non-cash loans	78.886.727	73.795.761
Total	**91.950.337**	**85.785.189**

3.2. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 160.029 (December 31, 2018 – TL 158.325) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

3.3. Information on services on behalf of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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

4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term loans(1)	2.311.650	165.329	1.518.434	135.733
Medium/long-term loans(1)	2.922.764	1.659.872	2.455.451	1.064.622
Interest on loans under follow-up	243.795	-	113.979	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	**5.478.209**	**1.825.201**	**4.087.864**	**1.200.355**

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From the CBRT	16.100	-	120.295	-
From domestic banks	101.325	8.885	25.866	116
From foreign banks	1.115	62.592	378	11.805
Headquarters and branches abroad	-	-	-	-
Total	**118.540**	**71.477**	**146.539**	**11.921**

4.1.3. Information on interest income on marketable securities:

	Cari Dönem		Önceki Dönem	
	TP	**YP**	**TP**	**YP**
From financial assets where fair value change is reflected to income statement	735	1.161	6.409	325
From financial assets where fair value change is reflected to other comprehensive income statement	844.833	58.714	607.173	39.631
From financial Assets Measured at Amortised Cost	447.136	85.345	191.208	86.079
Toplam	**1.292.704**	**145.220**	**804.790**	**126.035**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	652	268

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	60.837	509.952	51.176	347.505
The CBRT	-	932	-	273
Domestic banks	59.070	8.808	41.636	4.858
Foreign banks	1.767	500.212	9.540	342.374
Headquarters and branches abroad	-	-	-	-
Other institutions	-	165.064	-	81.509
Total(1)	**60.837**	**675.016**	**51.176**	**429.014**

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	631	851

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	224.831	376.673	174.666	220.606
Total	**224.831**	**376.673**	**174.666**	**220.606**

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

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	1.082	49.571	19.210	-	-	390	-	70.253	76.777
Saving deposit	-	317.117	1.634.521	309.480	73.271	46.214	55	2.380.658	1.275.491
Public sector deposit	-	13	466	24	3	1	-	507	166
Commercial deposit	768	323.543	480.780	67.274	55.523	3.310	-	931.198	578.024
Other deposit	-	16.679	155.798	13.138	59.363	2.038	-	247.016	158.678
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**1.850**	**706.923**	**2.290.775**	**389.916**	**188.160**	**51.953**	**55**	**3.629.632**	**2.089.136**
FC									
Foreign currency deposit	593	81.786	521.871	45.440	39.975	24.570	-	714.235	485.887
Bank deposit	766	4.948	1.343	463	-	-	-	7.520	24.246
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	312	540	89	333	40	-	1.314	813
Total	**1.359**	**87.046**	**523.754**	**45.992**	**40.308**	**24.610**	**-**	**723.069**	**510.946**
Grand total	**3.209**	**793.969**	**2.814.529**	**435.908**	**228.468**	**76.563**	**55**	**4.352.701**	**2.600.082**

4.3. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**22.616.616**	**12.177.951**
Gain from capital market transactions	78.335	55.201
Derivative financial transaction gains	8.393.524	5.378.523
Foreign exchange gains	14.144.757	6.744.227
Loss(-)	**22.445.722**	**12.468.968**
Loss from capital market transactions	14.019	13.190
Derivative financial transaction losses	6.934.155	4.868.766
Foreign exchange loss	15.497.548	7.587.012
Net gain/loss	**170.894**	**(291.017)**

4.4. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 1.634.169 (December 31, 2018 - TL 880.123 loss).

4.5. Allowance for expected credit losses and other provisions:

	Current Period	Prior Period
Allowance for expected credit losses	**1.938.856**	**843.967**
12-month expected credit losses (Stage 1)	134.704	164.054
Significant increase in credit risk (Stage 2)	397.838	72.460
Credit-Impaired (Stage 3)	1.406.314	607.453
Impairment provisions for financial assets	-	**2**
Financial assets at fair value through profit or loss	-	2
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	**215.554**	**147.245**
Total	**2.154.410**	**991.214**

4.6. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

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

4.7. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	1.110	2.977
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	109.072	43.981
Impairment expenses of intangible assets	-	220
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	36.693	25.442
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	555.569	540.777
lease expenses in the context of TFRS 16 exception	15.065	78.269
Repair and maintenance expenses	28.329	28.538
Advertising expenses	29.658	46.144
Other expense	482.517	387.826
Loss on sales of assets	143	-
Other	204.988	172.983
Total	**907.575**	**786.380**

4.8. Provision for taxes on income from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 3.484.535 (March 31, 2018 -TL 2.844.931), net fee and commission income amounting to TL 1.337.033 (March 31, 2018 - TL 1.033.668), personnel expenses amounting to TL 804.744 (March 31, 2018 - TL 663.235) and total other operating expense amounting to TL 907.575 (March 31, 2018 - TL 786.380).

As of March 31, 2019, the Group has no profit before taxes from discontinued operations (March 31, 2018 – None).

4.9. Provision for taxes on income from continuing operations and discontinued operations:

As of March 31, 2019, the Group has current tax income amounting to TL 84.178 (March 31, 2018 - TL 86.027) and deferred tax income amounting to TL 257.234 (March 31, 2018 - TL 282.912 deferred tax income).

4.10. Information on net income/loss for the period:

4.10.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

4.10.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.11. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	37	35

4.12. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

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

5. Explanations and notes related to Group's risk group:

5.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

5.1.1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group (1) (2)	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at the beginning of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Balance at the end of the period	10.303	10.402	814.430	1.265.689	4.317.451	4.331.091
Interest and commission income received	**652**	**49**	**10.772**	**1.977**	**782.206**	**7.956**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group (1) (2)	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at the beginning of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Balance at the end of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Interest and commission income received(3)	**268**	**30**	**7.749**	**1.799**	**89.533**	**4.578**

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.
(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
(3) Prior period presents profit / loss information of March 31, 2018

5.1.2. Information on deposits of the Group's risk group:

Group's risk group (1) (2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the period	32.007	27.440	39.787.874	29.100.563	22.326.048	18.301.565
End of the period	30.009	32.007	29.005.450	39.787.874	26.506.455	22.326.048
Interest expense on deposits(3)	**631**	**851**	**611.264**	**451.860**	**321.584**	**228.135**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.
(3) Prior period presents profit / loss information of March 31, 2018

5.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

Group's risk group (1)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss						
Beginning of the period(2)	-	-	3.330.535	4.585.782	983.564	4.263.455
End of the period(2)	-	-	3.346.602	3.330.535	2.632.264	983.564
Total profit / loss(3)	**223**	**-**	**(23.993)**	**62.208**	**(18.085)**	**12.642**
Transactions for hedging purposes						
Beginning of the period(2)	-	-	1.456.586	1.375.186	-	-
End of the period(2)	-	-	766.639	1.456.586	-	-
Total profit / loss(3)	**-**	**-**	**41.639**	**49.579**	**-**	**-**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
(3) Prior period presents profit / loss information of March 31, 2018

5.2. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 38.551 as of March 31, 2019 (March 31, 2018- TL 27.645).

6. Explanations and notes related to subsequent events :

With the Board of Directors' decision dated 18 April 2019; it has been decided to sell TL 529.433 of non-performing receivable which is followed in liquidation accounts to various asset management companies with a price of TL 16.322.

Section six - Explanations on independent audit review report

1. Explanations on independent auditor's review report

The consolidated financial statements for the period ended March 31, 2019 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's audit report dated May 2, 2019 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

Section Seven[(1)]

Interim activity report

1.1. Message from Yapı Kredi's Board of Directors Chairman Y. Ali Koç:

Thanks to the ongoing tight monetary policy stance of the Central Bank, fiscal policies, and the strong collaboration between regulatory bodies and the banking sector, stabilization that has started in the last quarter of 2018 continued in the first quarter of 2019. During the same period, the stabilization in economy along with normalization in the cost of funding supported the banking sector.

In the first quarter of the year, total loans in the banking sector reached TL 2.436 billion indicating 5,4% year-to-date growth, with the help of ongoing support from the Credit Guarantee Fund. During the same period, total deposits reached TL 2.179 billion, indicating 7,8% year-to-date growth. Accordingly, sector's loan to deposit ratio improved by 2,5 percentage points year-to-date reaching to 112% in the first quarter of 2019. The banking sector's non-performing loan ratio deteriorated 27 basis points year-to-date to 4,0% despite the support of non-performing loan sales of TL 1.056 billion (4 basis points impact).

Within the scope of the capital strengthening plan announced in May 2018 Yapı Kredi has successfully completed the issuance of AT-1 worth of 650 million USD in January 2019 following the 4,1 billion TL worth of rights issue in June 2018. This transaction marked the first-ever capital that was raised by a Turkish deposit bank through the issuance of USD-denominated bonds with market participation. The transaction once again confirmed the confidence of the main shareholders and international investors in Yapı Kredi and in our country.

Despite the past through impact of the fluctuations originated during the second half of 2018, Yapı Kredi continued to support the economy, while preserving its solid fundamentals with special focus on asset quality and a healthy balance sheet.

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and trust, and our employees for their devoted efforts.

Y. Ali Koç
Chairman of the Board

(1) Unless otherwise stated, all figures in the section seven are expressed in full TL.

1.2. Message from Yapı Kredi's CEO Gökhan Erün:

During the first quarter of 2019, the Central Bank of Turkey maintained its tight monetary policy stance in order to limit the depreciation in TL and to control the inflation levels. Thanks to the strong and agile balance sheet structures of the sector with the support from the regulator, as well as the economy ministry, Turkish banking sector maintained its strong fundamentals.

In the first quarter of the year, a slight pick in the volume growth with a sustainable revenue generation, further focus on cost control and proactive asset quality approach, the Bank's total assets increased to TL 393,4 billion and net income recorded at TL 1.241 million.

Yapı Kredi's strong liquidity, mainly in the foreign currency with a three month average total liquidity coverage ratio at 152% level (FC at 382%), continued to support the Bank's balance sheet in case of further possible volatilities.

Supported by the additional Tier-1 issuance of USD 650 million in January 2019 and ongoing internal capital generation, consolidated capital adequacy ratio improved by 19 basis points to 15,0% and Tier-1 ratio improved by 73 basis points to 12,1% despite the negative impacts arising from the macro volatility as well as one time impact of the operational risk adjustment.

In terms of performing cash loans, Yapı Kredi recorded 4% growth year-to-date reaching to TL 230,5 billion indicating 16,9% market share (+25 bps ytd) among private banks. Growth was driven by TL loans which was mainly supported by CGF and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 20,9% outstanding volume market share.

In the first quarter of 2019, in terms of funding, the Bank recorded 8% customer deposit growth year-to-date driven by FX deposits, reaching to TL 215,4 billion indicating 16,0% market share (+11 bps increase) among private banks. In line with its strategic targets, the Bank increased its individual TL deposit market share by 47 bps to 14,2% and TL demand deposit market share by 89 bps to 15,0% supporting its cost of funding. The growth in deposits materialized above loan growth. As a result loans to deposits ratio including TL bonds reached to 103%, implying a 1 percentage point improvement since the end of 2018.

Digitalization remained a strong focus area for Yapı Kredi. As "The Digital Bank of Turkey", share of digital channels in non-cash transactions stands at 96%. Moreover, in the past one year, number of digital customers increased by 1,0 million to 5,7 and mobile banking customers increased by 1,1 million to 5,0 million.

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts.

Gökhan Erün
CEO

1.3. Overview of Financial Performance:

On 2 May 2019, Yapı Kredi announced its consolidated results for the first three months of 2019 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 322,4 billion while total deposits rose to TL 219,7 billion. The Bank's net income reached TL 1.241 million indicating a return on average tangible equity of 13,3%.

Local currency driven loan growth with a solid liquidity

In the first quarter, The Bank achieved 4% year-to-date growth in loans to TL 230,5 billion, mainly driven by TL loans along with CGF support which was above the private banks' growth of 3% in the same period. During the same period, the Bank's customer deposit growth was above the loan growth at 8% year-to-date and reached TL 215,4 billion. Deposit growth was mainly driven by FX denominated customer deposits. Also, the Bank increased its individual TL deposit market share by 47 bps to 14,2% and TL demand deposit market share by 89 bps to 15,0% within the scope of focusing on small tickets in deposit gathering. Accordingly, loan-to-deposits plus TL bonds ratio improved by 1 pp to 103%. Following the volatile period during the second half of 2018, Yapı Kredi continued to maintain its well-positioned liquidity levels. Accordingly, the Bank's total and FC liquidity coverage ratios realised at 152% and 382%, respectively.

Prudent and conservative asset quality approach

In the first quarter of 2019, Yapı Kredi maintained its precautious approach in terms of asset quality. During this period, Yapı Kredi sold a non-performing loan portfolio of TL 396 million in principal amount (-14 bps NPL ratio impact) within the scope of continued active stock management. Hence, the NPL ratio materialized at 5,4%. Accordingly, cost of risk (adjusted for hedged FX impact) improved by 37 bps to 219 basis points year-to-date. With the ongoing conservative provisioning approach of Yapı Kredi, provisions to gross loans further increased to 6,0%.

Strong capital ratios through AT-1 issuance and ongoing internal capital generation

In the first quarter of 2019, despite the negative impact coming from the market volatility and one time impact at the operational risk, the capital ratios of the Bank supported through AT-1 issuance and ongoing internal capital generation. Hence, consolidated Capital Adequacy Ratio, Tier-1 ratio and Common Equity Tier-1 ratio realised at 15,0%, 12,1%and 11,0%, respectively.

Solid top-line within conservative asset quality and liquidity approach

In the first quarter of 2019, Yapı Kredi increased its core banking revenues by 24% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, the past through impact of the high inflation level of 2018 was kept under control by continued discipline in cost management, resulting in a cost growth of 18% below inflation of 19,7%. Cost-to-income ratio (income adjusted for trading income to hedge FC ECL and collections, cost adjusted for pension fund provision) increased by 69 basis points year-over-year to 34,9%. Despite the improvement in core spreads, NIM contracted due to the significant decline in contribution of the CPI linked securities, as the Bank uses October to October inflation of 12% for the valuation of its CPI linked securities (2018 realization: 25,2%). All in all, the Bank achieved a net income of TL 1.241 million and 13,3% return on average tangible equity.

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

1.4. Summary of Consolidated Financials

TL million	31.03.2019	31.12.2018
Total Assets	393.428	373.376
Performing Loans	230.461	220.549
Total Deposits	219.668	210.291
Shareholder's Equity	39.073	39.007
Loans/Assets	59%	59%
Deposits/Assets	56%	56%
NPL	5,4%	5,3%
CAR	15,0%	14,8%

TL million	31.03.2019	31.03.2018
Net Profit	1.241	1.244
Return on Average Tangible Equity	13,3%	17,1%

1.5. Important Developments and Transactions Affecting the Bank's Financial Performance:

- In January 2019, the Bank completed an additional Tier-1 issuance of USD 650 million.
- On 7 February 2019, YapıKredi successfully priced a 5,5 year US$ 500 million Eurobond benchmark transaction.
- On 19 March 2019, Yapı Kredi sold non-performing loan portfolio amounting to TL 396 million. The transaction was reflected in Yapı Kredi's 1Q19 financials.
- On 18 April 2019, Yapı Kredi sold non-performing loan portfolio amounting to TL 529 million. The transaction will be reflected in Yapı Kredi's 2Q19 financials.

1.6. Current Trends and Expectations for the Upcoming Period:

In the first quarter of 2019, Yapı Kredi showed a performance in line with its year end guidance. Hence, the Bank maintained all of 2019 expectations.

2019 Yapı Kredi Expectations:

- Fundamentals: loan-to-deposit ratio at 105% level, CAR at minimum of 15% (capital ratios to improve with ongoing efforts towards AT1 issuance and internal capital generation)
- Loans: +15% TL loan growth (loan growth slightly higher than private banking sector mainly driven by TL loans)
- Funding: mid-teens deposit growth (further increase in the share of small ticket retail deposits and retail demand deposits in total),
- Revenues: Flat NIM (excluding the negative base impact from CPI-linked securities, with ongoing repricing efforts), mid-teens fee growth (supported by efforts towards diversification)
- Costs: Below average inflation cost growth (ongoing support from digitalization)
- Asset quality: NPL ratio below 7%, CoR below 300 bps (maintaining the prudent risk appetite, slight deterioration compared to 2018)