Yapı ve Kredi Bankası A.Ş.

Publicly announced unconsolidated financial statements and related disclosures at December 31, 2018 together with auditor's review report

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

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2018, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

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

3. Key Audit Matters

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

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans The Bank has total expected credit losses for loans amounting to TL 13.692.652 thousand in respect to total loans amounting to TL 212.555.608 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans are presented Section Three Part 7, Section Four Part 2, Section Five Part 1.7 in the accompanying unconsolidated financial statements as at 31 December 2018. As of 1 January 2018, the Bank started to recognize provision for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Bank determines staging of credit identifying significant increase in credit risk with quantitative and qulitative assessments presented Section Three Part 8 in the accompanying unconsolidated financial statements and default event presented in Section Four Part 2 in the accompanying unconsolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macro-economic expectations should be supportable and appropriate. The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Bank for staging of loans and calculation of the provision amount. For forward looking assumptions by the Bank's management in its expected credit losses calculations, we held discussions with management, evaluated and tested the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following: • We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis • For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • We checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested

Key Audit Matters	*How the key audit matter was addressed in the audit*
used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of resultant expected credit losses calculations. • To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We assessed accuracy and completeness of the disclosures in the financial statements the Bank presented in relation to expected credit losses.

Key Audit Matters	*How the key audit matter was addressed in the audit*
First time application of TFRS 9 The Bank has adopted “TFRS 9: Financial Instruments” to replace “TAS 39 Financial Instruments: Recognition and measurement” as of 1 January 2018. Transition resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The impact of the first application of TFRS 9 and relevant disclosures are presented in Section 3 Part 1 7 in the accompanying unconsolidated financial statements as at 31 December 2018. TFRS 9 Financial Instruments Standard consists of three phases: Phase 1 – Classification and measurement of financial assets and financial liabilities; Phase 2 – Expected credit losses and Phase 3 – Hedge accounting. Management assessed the business model to determine whether its financial assets are held to collect, held to collect and sell or other. For the financial assets in every business model, management has performed assessment for each type of product to conclude whether the cash flows from financial instruments fulfil the solely of payment of principal of interest criteria (‘SPPI’). TFRS 9 lead to an increase in complexity and in the degree of judgment required to calculate the expected credit losses. First time application of the standard, required significant judgment and interpretation especially in development of expected credit losses models. Regarding changes due to adoption of TFRS 9, explanations regarding Bank’s transition to expected credit losses approach are stated in key audit matter “Expected credit losses for loans” The Bank has elected to continue to apply the hedge accounting requirements of TAS 39. As first time application of TFRS 9 requires number of decision making based on interpretation and judgment, and as it is a major change in the accounting framework of the Group, we considered this as key audit matter.	With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following; We read the Bank’s TFRS 9 based classification and measurement policy for financial assets and financial liabilities, and compared it with the requirements of TFRS 9; We obtained and reviewed the Bank’s business model assessment. We assessed criterias used to determine contracts which give rise to cash flows that are solely payments of principal and interest, and tested contracts representing product groups based on a selected sample. Audit procedures related to TFRS 9 expected credit losses phase and relevant models are explained in the part ‘how the key audit matter was addressed in the audit’ of key audit matter titled “Expected credit losses for loans” We checked the appropriateness of of the opening balance adjustments and disclosures presented.

Key Audit Matters	*How the key audit matter was addressed in the audit*
Valuation of Pension Fund Obligations The Bank has booked provision amounting to TL 921.350 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2018. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.5 in the accompanying unconsolidated financial statements. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of pension fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension fund obligations. During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1 No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.

2 In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

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

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

Halûk Yalçın, SMMM

İstanbul, 1 February 2019

Convenience translation of publicly announced unconsolidated interim end financial statements and review report originally issued in Turkish, See Note I. of Section three

YAPI VE KREDİ BANKASI A.Ş.
THE UNCONSOLIDATED YEAR END FINANCIAL REPORT
AS OF DECEMBER 31, 2018

Address	**:** Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
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The unconsolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

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

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

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

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

Name-Surname / Title	**:** Aysel Taktak / Regulatory Reporting Manager
Telephone Number	**:** 0212 339 63 29
Fax Number	**:** 0212 339 61 05

Section one - General information

Section two - Unconsolidated financial statements

Section three - Accounting policies

Section four - Financial Position and Risk Management

Section five - Explanations and notes related to unconsolidated financial statements

Section six - Independent auditor's report

Section seven - Information on interim activity report

Section One - General Information

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

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

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

The Bank’s publicly traded shares are traded on the Borsa İstanbul (“BIST”) since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2018, 18,10% of the shares of the Bank are publicly traded (December 31, 2017 - 18,20%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. (“KFS”), a joint venture of UniCredit (“UCG”) and Koç Group.

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

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

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

As of December 31, 2018, the Bank’s Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Niccolò UBERTALLI	Executive Director and Deputy CEO
A. Ümit TAFTALI	Member
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
F. Füsun Akkal BOZOK	Member
Francesco GIORDANO	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

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(1)	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

(1) Arif İsfendiyaroğlu was appointed as Assistant General Manager in charge of Private Banking and Wealth Management as of December 11, 2018.

(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 Bank:

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

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

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

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

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

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

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

As of December 31, 2018, the Bank has 853 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2018, the Bank has 17.577 employees (December 31, 2017 – 17.944 employees).

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

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.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., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

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

None.

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

					Current Period (31/12/2018)
	Assets	**Note (Section Five)**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**60.564.821**	**54.177.373**	**114.742.194**
1.1	**Cash and cash equivalents**	**1.1**	**16.880.502**	**40.429.645**	**57.310.147**
1.1.1	Cash and balances at Central Bank		16.756.292	38.758.602	55.514.894
1.1.2	Banks	1.4	19.297	1.658.987	1.678.284
1.1.3	Receivables from Money Markets		104.913	12.056	116.969
1.2	**Financial assets at fair value through profit or loss**	**1.2**	**20.253**	**221.178**	**241.431**
1.2.1	Public debt securities		17.686	50.656	68.342
1.2.2	Equity instruments		-	170.522	170.522
1.2.3	Other financial assets		2.567	-	2.567
1.3	**Financial assets at fair value through other comprehensive income**	**1.5,1.6**	**22.823.185**	**3.892.380**	**26.715.565**
1.3.1	Public debt securities		22.814.906	2.032.888	24.847.794
1.3.2	Equity instruments		8.279	2.338	10.617
1.3.3	Other financial assets		-	1.857.154	1.857.154
1.4	**Financial assets measured at amortised cost**	**1.8**	**12.933.751**	**8.741.415**	**21.675.166**
1.4.1	Public debt securities		12.933.751	8.741.415	21.675.166
1.4.2	Other financial assets		-	-	-
1.5	**Derivative financial assets**	**1.3**	**7.970.952**	**989.168**	**8.960.120**
1.5.1	Derivative financial assets at fair value through profit or loss	1.3.1	5.101.599	689.435	5.791.034
1.5.2	Derivative financial assets at fair value through other comprehensive income	1.3.2	2.869.353	299.733	3.169.086
1.6	**Non-performing financial assets**		-	-	-
1.7	**Allowance for expected credit losses (-)**		**63.822**	**96.413**	**160.235**
II.	**LOANS (Net)**	**1.7**	**122.522.173**	**88.815.977**	**211.338.150**
2.1	**Loans**		**120.262.548**	**92.293.060**	**212.555.608**
2.1.1	Loans measured at amortised cost		120.262.548	92.293.060	212.555.608
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	**Receivables from leasing transactions**	1.12	-	-	-
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
2.3	**Factoring receivables**		**95.337**	-	**95.337**
2.3.1	Factoring receivables measured at amortised cost		95.337	-	95.337
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	**Non-performing loans**	**1.7.11**	**12.379.857**	-	**12.379.857**
2.5	**Allowance for expected credit losses (-)**		**10.215.569**	**3.477.083**	**13.692.652**
2.5.1	12-Month expected credit losses (Stage 1)		673.246	556.044	1.229.290
2.5.2	Significant increase in credit risk (Stage 2)		688.021	2.921.039	3.609.060
2.5.3	Credit-Impaired (Stage 3)	1.7.10	8.854.302	-	8.854.302
III.	**NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)**	**1.17**	**288.349**	-	**288.349**
3.1	Held for sale		288.349	-	288.349
3.2	Held from discontinued operations		-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**3.144.898**	**3.645.062**	**6.789.960**
4.1	**Investments in associates (Net)**	**1.9**	**6.101**	**784.140**	**790.241**
4.1.1	Associates accounted by using equity method		-	-	-
4.1.2	Non-consolidated associates		6.101	784.140	790.241
4.2	**Investments in subsidiaries (Net)**	**1.10**	**3.117.632**	**2.860.922**	**5.978.554**
4.2.1	Non-consolidated financial subsidiaries		3.110.332	2.860.922	5.971.254
4.2.2	Non-consolidated non-financial subsidiaries		7.300	-	7.300
4.3	**Jointly Controlled Partnerships (Joint Ventures) (Net)**	**1.11**	**21.165**	-	**21.165**
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		21.165	-	21.165
V.	**TANGIBLE ASSETS (Net)**		**3.270.211**	-	**3.270.211**
VI.	**INTANGIBLE ASSETS AND GOODWILL (Net)**		**1.749.439**	-	**1.749.439**
6.1	Goodwill		979.493	-	979.493
6.2	Other		769.946	-	769.946
VII.	**INVESTMENT PROPERTIES (Net)**	**1.15**	-	-	-
VIII.	**CURRENT TAX ASSETS**		-	-	-
IX.	**DEFERRED TAX ASSETS**	**1.16**	**569.635**	-	**569.635**
X.	**OTHER ASSETS**	**1.18**	**2.905.219**	**6.390.434**	**9.295.653**
	TOTAL ASSETS		**195.014.745**	**153.028.846**	**348.043.591**

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

1. Balance sheet (Statement of Financial Position)

					Prior Period (31/12/2017)
	Assets	**Note (Section Five)**	**TL**	**FC**	**Total**
I.	**Cash and balances with Central Bank**	**1.1**	**7.595.701**	**34.377.878**	**41.973.579**
II.	**Financial assets at fair value through profit or (loss) (net)**		**3.614.240**	**503.958**	**4.118.198**
2.1	Trading financial assets		**3.614.240**	**503.958**	**4.118.198**
2.1.1	Government debt securities		**26.584**	**30.396**	**56.980**
2.1.2	Share certificates		-	-	-
2.1.3	Derivative financial assets held for trading		3.587.656	473.562	4.061.218
2.1.4	Other marketable securities		-	-	-
2.2	Financial assets designated at fair value through profit/(loss)	1.2	-	-	-
2.2.1	Government debt securities		-	-	-
2.2.2	Share certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	**Banks**	**1.4**	**14.175**	**2.706.452**	**2.720.627**
IV.	**Money markets**		**4.097**	**812.790**	**816.887**
4.1	Interbank money market placements		-	812.790	812.790
4.2	Receivables from IMKB		4.097	-	4.097
4.3	Receivables from reverse repurchase agreements		-	-	-
V.	**Financial assets available-for-sale (net)**	**1.5,1.6**	**21.209.329**	**3.098.331**	**24.307.660**
5.1	Share certificates		7.613	96.465	104.078
5.2	Government debt securities		20.856.199	1.533.774	22.389.973
5.3	Other marketable securities		345.517	1.468.092	1.813.609
VI.	**Loans and receivables**	**1.7**	**125.727.188**	**69.233.255**	**194.960.443**
6.1	Loans and receivables		123.649.321	69.233.255	192.882.576
6.1.1	Loans to bank's risk group		1.696.947	838.771	2.535.718
6.1.2	Government debt securities		-	-	-
6.1.3	Other		121.952.374	68.394.484	190.346.858
6.2	Loans under follow-up		9.024.397	-	9.024.397
6.3	Specific provisions (-)		6.946.530	-	6.946.530
VII.	**Factoring receivables**		-	-	-
VIII.	**Held-to-maturity investments (net)**	**1.8**	**6.741.179**	**6.289.732**	**13.030.911**
8.1	Government debt securities		6.741.179	6.289.732	13.030.911
8.2	Other marketable securities		-	-	-
IX.	**Investments in associates (net)**	**1.9**	**4.503**	**529.384**	**533.887**
9.1	Consolidated based on equity method		-	-	-
9.2	Unconsolidated		4.503	529.384	533.887
9.2.1	Investments in financial associates		-	529.384	529.384
9.2.2	Investments in non-financial associates		4.503	-	4.503
X.	**Subsidiaries (net)**	**1.10**	**2.768.324**	**2.039.040**	**4.807.364**
10.1	Unconsolidated financial subsidiaries		2.761.024	2.039.040	4.800.064
10.2	Unconsolidated non-financial subsidiaries		7.300	-	7.300
XI.	**Joint ventures (net)**	**1.11**	**18.386**	**-**	**18.386**
11.1	Accounted based on equity method		-	-	-
11.2	Unconsolidated		18.386	-	18.386
11.2.1	Financial joint ventures		18.386	-	18.386
11.2.2	Non-financial joint ventures		-	-	-
XII.	**Lease receivables**	**1.12**	**-**	**-**	-
12.1	Financial lease receivables		-	-	-
12.2	Operating lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	**Derivative financial assets held for hedging**		**1.520.914**	**167.481**	**1.688.395**
13.1	Fair value hedge		-	-	-
13.2	Cash flow hedge		1.520.914	167.481	1.688.395
13.3	Foreign net investment hedge		-	-	-
XIV.	**Property and equipment (net)**		**2.572.976**	**-**	**2.572.976**
XV.	**Intangible assets (net)**		**1.626.850**	**-**	**1.626.850**
15.1	Goodwill		979.493	-	979.493
15.2	Other		647.357	-	647.357
XVI.	**Investment property (net)**	**1.13**	**-**	**-**	-
XVII.	**Tax asset**		-	-	-
17.1	Current tax asset		-	-	-
17.2	Deferred tax asset	**1.14**	-	-	-
XVIII.	**Assets held for resale and related to discontinued operations (net)**	**1.15**	**202.019**	**-**	**202.019**
18.1	Held for sale purposes		202.019	-	202.019
18.2	Related to discontinued operations		-	-	-
XIX.	**Other assets**	**1.16**	**1.612.786**	**2.819.352**	**4.432.138**
	Total assets		**175.232.667**	**122.577.653**	**297.810.320**

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

1. Balance sheet (Statement of Financial Position)

					Current Period (31/12/2018)
	Liabilities	Note (Section Five)	TL	FC	Total
I.	**DEPOSITS**	**2.1**	**92.782.018**	**109.767.118**	**202.549.136**
II.	**LOANS RECEIVED**	**2.3.1**	**271.691**	**37.077.647**	**37.349.338**
III.	**MONEY MARKET FUNDS**		**330.175**	**1.215.446**	**1.545.621**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.4**	**2.678.882**	**13.706.130**	**16.385.012**
4.1	Bills	2.3.4	1.373.498	-	1.373.498
4.2	Asset backed securities		-	-	-
4.3	Bonds		1.305.384	13.706.130	15.011.514
V.	**FUNDS**		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**2.3.3.2**	**330.910**	**7.634.494**	**7.965.404**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**6.388.957**	**892.348**	**7.281.305**
7.1	Derivative financial liabilities at fair value through profit or loss		5.846.062	823.837	6.669.899
7.2	Derivative financial liabilities at fair value through other comprehensive income		542.895	68.511	611.406
VIII.	**FACTORING PAYABLES**		-	-	-
IX.	**LEASE PAYABLES**	**2.5**	-	**219**	**219**
9.1	Finance lease payables		-	228	228
9.2	Operating lease payables	2.5.2	-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	9	9
X.	**PROVISIONS**	**2.6**	**3.000.839**	**306.818**	**3.307.657**
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		658.112	-	658.112
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions	2.6.4	2.342.727	306.818	2.649.545
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**1.091.311**	**-**	**1.091.311**
XII.	**DEFERRED TAX LIABILITIES**		-	-	-
XIII.	**LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**2.8**	**-**	**-**	**-**
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	**SUBORDINATED DEBT**	**2.9**	**-**	**13.557.153**	**13.557.153**
14.1	Loans		-	5.574.724	5.574.724
14.2	Other debt instruments		-	7.982.429	7.982.429
XV.	**OTHER LIABILITIES**	**2.4**	**14.829.942**	**3.177.994**	**18.007.936**
XVI.	**SHAREHOLDERS` EQUITY**	**2.10**	**36.539.132**	**2.464.367**	**39.003.499**
16.1	Paid-in capital		8.447.051	-	8.447.051
16.2	Capital reserves		1.995.493	-	1.995.493
16.2.1	Equity share premiums		556.937	-	556.937
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		1.438.556	-	1.438.556
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		2.369.395	435.591	2.804.986
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(909.935)	2.028.776	1.118.841
16.5	Profit reserves		19.969.702	-	19.969.702
16.5.1	Legal reserves		869.410	-	869.410
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		19.099.217	-	19.099.217
16.5.4	Other profit reserves		1.075	-	1.075
16.6	Profit or loss		4.667.426	-	4.667.426
16.6.1	Prior years' profits or losses		-	-	-
16.6.2	Current period net profit or loss		4.667.426	-	4.667.426
	TOTAL LIABILITIES		**158.243.857**	**189.799.734**	**348.043.591**

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

1. Balance sheet (Statement of Financial Position)

		Note (Section Five)			Prior Period (31/12/2017)
	Liabilities		**TL**	**FC**	**Total**
I.	**Deposits**	**2.1**	**75.934.109**	**93.413.108**	**169.347.217**
1.1	Deposits of the Bank's risk group		7.537.617	18.563.761	26.101.378
1.2	Other		68.396.492	74.849.347	143.245.839
II.	**Derivative financial liabilities held for trading**	**2.2**	**3.555.662**	**282.242**	**3.837.904**
III.	**Funds borrowed**	**2.3.1**	**516.285**	**38.613.774**	**39.130.059**
IV.	**Money markets**		**12.588.880**	**211.271**	**12.800.151**
4.1	Funds from interbank money market		3.703.931	-	3.703.931
4.2	Funds from IMKB		81.644	-	81.644
4.3	Funds provided under repurchase agreements		8.803.305	211.271	9.014.576
V.	**Marketable securities issued (net)**	**2.3.4**	**2.290.593**	**10.202.249**	**12.492.842**
5.1	Bills	2.3.4	1.212.509	107.682	1.320.191
5.2	Asset backed securities		-	-	-
5.3	Bonds		1.078.084	10.094.567	11.172.651
VI.	**Funds**		**-**	**-**	**-**
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**Miscellaneous payables**		**10.217.001**	**1.937.311**	**12.154.312**
VIII.	**Other liabilities**		**1.347.239**	**433.396**	**1.780.635**
IX.	**Factoring payables**		**-**	**-**	**-**
X.	**Lease payables (net)**	**2.5**	**-**	**131**	**131**
10.1	Financial lease payables		-	139	139
10.2	Operational lease payables	2.5.2	-	-	-
10.3	Other		-	-	-
10.4	Deferred lease expenses (-)		-	8	8
XI.	**Derivative financial liabilities held for hedging**		**300.046**	**12.380**	**312.426**
11.1	Fair value hedge		204.859	-	204.859
11.2	Cash flow hedge		95.187	12.380	107.567
11.3	Foreign net investment hedge		-	-	-
XII.	**Provisions**	**2.6**	**3.994.595**	**1.322.110**	**5.316.705**
12.1	General loan loss provision		2.102.563	1.230.131	3.332.694
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee rights		564.141	-	564.141
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions	2.6.4	1.327.891	91.979	1.419.870
XIII.	**Tax liabilities**	**2.7**	**821.207**	**-**	**821.207**
13.1	Current tax liability		613.308	-	613.308
13.2	Deferred tax liability		207.899	-	207.899
XIV.	**Liabilities for property and equipment held for sale and related to discontinued operations (net)**	**2.8**	**-**	**-**	**-**
14.1	Held for sale		-	-	-
14.2	Related to discontinued operations		-	-	-
XV.	**Subordinated loans**	**2.9**	**-**	**9.718.804**	**9.718.804**
XVI.	**Shareholders' equity**	**2.10**	**28.196.661**	**1.901.266**	**30.097.927**
16.1	Paid-in capital		4.347.051	-	4.347.051
16.2	Capital reserves		3.689.913	1.901.266	5.591.179
16.2.1	Share premium		543.881	-	543.881
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		409.245	1.740.760	2.150.005
16.2.4	Property and equipment revaluation differences		1.360.019	-	1.360.019
16.2.5	Intangible assets revaluation differences		-	-	-
16.2.6	Revaluation differences of investment property		-	-	-
16.2.7	Bonus shares from investments in associates, subsidiaries and joint ventures		16.271	-	16.271
16.2.8	Hedging funds (effective portion)		214.719	160.506	375.225
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-
16.2.10	Other capital reserves		1.145.778	-	1.145.778
16.3	Profit reserves		16.545.616	-	16.545.616
16.3.1	Legal reserves		869.410	-	869.410
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		15.675.023	-	15.675.023
16.3.4	Other profit reserves		1.183	-	1.183
16.4	Income or (loss)		3.614.081	-	3.614.081
16.4.1	Prior years' income or (loss)		-	-	-
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081
	Total liabilities		**139.762.278**	**158.048.042**	**297.810.320**

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

2. Off-balance sheet commitments

					Current Period (31/12/2018)			Prior Period (31/12/2017)
		Note (Section Five)	TP	FC	Total	TP	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**216.249.011**	**356.444.036**	**572.693.047**	**293.686.722**	**385.229.009**	**678.915.731**
I.	**Guarantees and warranties**	**3.1.2.1**	**26.421.786**	**59.852.965**	**86.274.751**	**26.495.214**	**51.671.080**	**78.166.294**
1.1	Letters of guarantee	3.1.2.2	26.251.027	41.182.795	67.433.822	26.441.208	33.757.070	60.198.278
1.1.1	Guarantees subject to state tender law		562.791	1.240.942	1.803.733	791.090	1.168.552	1.959.642
1.1.2	Guarantees given for foreign trade operations		3.909.134	39.941.853	43.850.987	3.381.312	32.588.518	35.969.830
1.1.3	Other letters of guarantee		21.779.102	-	21.779.102	22.268.806	-	22.268.806
1.2	Bank acceptances		-	200.915	200.915	-	212.685	212.685
1.2.1	Import letter of acceptance		-	200.915	200.915	-	212.685	212.685
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		152.733	10.564.051	10.716.784	20.000	10.924.238	10.944.238
1.3.1	Documentary letters of credit		152.733	10.564.051	10.716.784	20.000	10.924.238	10.944.238
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		18.026	3.997.024	4.015.050	34.006	2.421.805	2.455.811
1.9	Other warranties		-	3.908.180	3.908.180	-	4.355.282	4.355.282
II.	**Commitments**	**3.1.1**	**57.594.918**	**27.384.129**	**84.979.047**	**93.480.873**	**92.316.175**	**185.797.048**
2.1	Irrevocable commitments		56.759.355	9.049.492	65.808.847	92.020.358	42.021.703	134.042.061
2.1.1	Asset purchase and sale commitments		1.969.620	6.371.281	8.340.901	36.662.381	40.236.824	76.899.205
2.1.2	Deposit purchase and sales commitments		-	-	-	29.564	762.402	791.966
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		10.167.781	2.192.840	12.360.621	9.349.555	775.480	10.125.035
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7	Commitments for checks payments		2.990.824	-	2.990.824	6.844.741	-	6.844.741
2.1.8	Tax and fund liabilities from export commitments		4.551	-	4.551	7.297	-	7.297
2.1.9	Commitments for credit card expenditure limits		35.189.895	-	35.189.895	33.700.364	-	33.700.364
2.1.10	Commitments for credit cards and banking services promotions		27.510	-	27.510	18.322	-	18.322
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		6.409.174	485.371	6.894.545	5.408.134	246.997	5.655.131
2.2	Revocable commitments		835.563	18.334.637	19.170.200	1.460.515	50.294.472	51.754.987
2.2.1	Revocable loan granting commitments		835.563	18.334.637	19.170.200	1.460.515	50.294.472	51.754.987
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**132.232.307**	**269.206.942**	**401.439.249**	**173.710.635**	**241.241.754**	**414.952.389**
3.1	Derivative financial instruments held for hedging		48.402.801	48.037.678	96.440.479	42.759.791	30.433.834	73.193.625
3.1.1	Fair value hedges		270.141	3.175.835	3.445.976	270.141	2.336.735	2.606.876
3.1.2	Cash flow hedges		48.132.660	44.861.843	92.994.503	42.489.650	28.097.099	70.586.749
3.1.3	Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2	Trading transactions		83.829.506	221.169.264	304.998.770	130.950.844	210.807.920	341.758.764
3.2.1	Forward foreign currency purchase and sale transactions		8.116.786	10.730.591	18.847.377	11.063.125	14.589.393	25.652.518
3.2.1.1	Forward foreign currency purchase transactions		3.821.115	5.862.521	9.683.636	4.066.561	8.704.699	12.771.260
3.2.1.2	Forward foreign currency sale transactions		4.295.671	4.868.070	9.163.741	6.996.564	5.884.694	12.881.258
3.2.2	Currency and interest rate swaps		69.858.272	174.331.835	244.190.107	104.077.472	164.682.628	268.760.100
3.2.2.1	Currency swap purchase transactions		15.558.017	63.616.649	79.174.666	19.511.430	87.065.133	106.576.563
3.2.2.2	Currency swap sale transactions		47.018.255	34.011.042	81.029.297	79.436.042	28.617.705	108.053.747
3.2.2.3	Interest rate swap purchase transactions		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.2.4	Interest rate swap sale transactions		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.3	Currency, interest rate and securities options		5.034.420	12.244.720	17.279.140	9.678.309	16.400.673	26.078.982
3.2.3.1	Currency purchase options		1.735.423	5.022.695	6.758.118	3.910.315	7.906.039	11.816.354
3.2.3.2	Currency sale options		2.998.997	3.709.657	6.708.654	5.467.994	6.672.990	12.140.984
3.2.3.3	Interest rate purchase options		150.000	2.325.046	2.475.046	-	1.058.039	1.058.039
3.2.3.4	Interest rate sale options		150.000	1.187.322	1.337.322	300.000	763.605	1.063.605
3.2.3.5	Securities purchase options		-	-	-	-	-	-
3.2.3.6	Securities sale options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency purchase futures		-	-	-	-	-	-
3.2.4.2	Currency sale futures		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2	Interest rate sale futures		-	-	-	-	-	-
3.2.6	Other		820.028	23.862.118	24.682.146	6.131.938	15.135.226	21.267.164
B.	**CUSTODY AND PLEDGED SECURITIES (IV+V+VI)**		**3.144.563.530**	**655.742.081**	**3.800.305.611**	**640.568.079**	**283.266.808**	**923.834.887**
IV.	**ITEMS HELD IN CUSTODY**		**357.170.276**	**530.118.288**	**887.288.564**	**355.509.137**	**191.474.709**	**546.983.846**
4.1	Assets under management		-	-	-	-	-	-
4.2	Securities held in custody		333.178.706	529.517.839	862.696.545	333.343.112	190.867.166	524.210.278
4.3	Checks received for collection		18.324.311	55.419	18.379.730	17.328.672	87.339	17.416.011
4.4	Commercial notes received for collection		5.609.115	464.462	6.073.577	4.779.209	460.360	5.239.569
4.5	Other assets received for collection		-	64.289	64.289	-	47.846	47.846
4.6	Securities received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	16.279	74.423	58.144	11.998	70.142
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**2.767.738.690**	**115.746.850**	**2.883.485.540**	**271.152.739**	**90.899.235**	**362.051.974**
5.1	Marketable securities		249.891	583	250.474	193.385	418	193.803
5.2	Guarantee notes		1.144.853	316.775	1.461.628	930.316	266.781	1.197.097
5.3	Commodity		17.430	-	17.430	23.010	-	23.010
5.4	Warrant		-	-	-	-	-	-
5.5	Immovables		2.589.950.921	92.780.033	2.682.730.954	119.604.456	70.551.995	190.156.451
5.6	Other pledged items		176.375.595	22.640.019	199.015.614	150.401.572	20.073.243	170.474.815
5.7	Depositories receving pledged items		-	9.440	9.440	-	6.798	6.798
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**19.654.564**	**9.876.943**	**29.531.507**	**13.906.203**	**892.864**	**14.799.067**
	TOTAL OFF BALANCE SHEET COMMITMENTS)		**3.360.812.541**	**1.012.186.117**	**4.372.998.658**	**934.254.801**	**668.495.817**	**1.602.750.618**

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

3 Statements of Profit Or Loss

	Income and expense items	Note (Section Five)	Current Period (01/01/2018 – 31/12/2018)
I.	**INTEREST INCOME**	**4.1**	**33.210.795**
1.1	Interest on loans	4.1.1	24.968.309
1.2	Interest received from reserve deposits		415.131
1.3	Interest received from banks	4.1.2	621.717
1.4	Interest received from money market transactions		58.124
1.5	Interest received from marketable securities portfolio	4.1.3	7.141.461
1.5.1	Financial assets at fair value through profit or loses		11.186
1.5.2	Financial assets at fair value through other comprehensive income		4.518.770
1.5.3	Financial assets measured at amortised cost		2.611.505
1.6	Finance lease income		-
1.7	Other interest income		6.053
II.	**INTEREST EXPENSES**	**4.2**	**19.268.780**
2.1	Interest on deposits	4.2.4	14.331.082
2.2	Interest on funds borrowed	4.2.1	2.297.613
2.3	Interest expense on money market transactions		1.036.889
2.4	Interest on securities issued	4.2.3	1.390.038
2.5	Other interest expenses		213.158
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**13.942.015**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**4.016.348**
4.1	Fees and commissions received		5.363.545
4.1.1	Non-cash loans		786.258
4.1.2	Other		4.577.287
4.2	Fees and commissions paid		1.347.197
4.2.1	Non-cash loans		253
4.2.2	Other		1.346.944
V.	**PERSONNEL EXPENSES (-)**	**4.8**	**2.836.470**
VI.	**DIVIDEND INCOME**		**6.326**
VII.	**TRADING PROFIT/LOSS (Net)**	**4.4**	**(647.623)**
7.1	Profit/losses from capital market transactions		125.761
7.2	Profit/losses from derivative financial transactions	4.5	11.487.050
7.3	Foreign exchange profit/losses		(12.260.434)
VIII.	**OTHER OPERATING INCOME**	**4.6**	**1.211.427**
IX.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)**		**15.692.023**
X.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**4.7**	**7.121.703**
XI.	**OTHER OPERATING EXPENSES (-)**	**4.8**	**3.490.333**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI**		**5.079.987**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		-
XIV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**775.504**
XV.	**NET MONETARY POSITION GAIN/LOSS)**		-
XVI.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)**	**4.9**	**5.855.491**
XVII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.10**	**1.188.065**
17.1	Current tax provision		791.064
17.2	Expense effect of deferred tax (+)		397.001
17.3	Income effect of deferred tax (-)		-
XVIII.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)**		**4.667.426**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		-
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)**		-
XXII.	**TAX PROVISIONS FOR DISCONTINUED OPERATIONS (±)**		-
21.1	Current tax provision		-
21.2	Expense effect of deferred tax (+)		-
21.3	Income effect of deferred tax (-)		-
XXIII.	**XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		-
XXIV.	**NET PROFIT/LOSSES (XVIII+XXIII)**	**4.11**	**4.667.426**
	Earnings/(loss) per share (full TL)		0,0073

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

3. Statements of Profit Or Loss

	Income and expense items	**Note (Section Five**	**Prior Period (01/01/2017- 31/12/2017)**
I.	**Interest income**	**4.1**	**21.384.918**
1.1	Interest on loans	4.1.1	17.527.173
1.2	Interest received from reserve deposits		233.964
1.3	Interest received from banks	4.1.2	188.276
1.4	Interest received from money market transactions		23.344
1.5	Interest received from marketable securities portfolio	4.1.3	3.411.063
1.5.1	Trading financial assets		3.405
1.5.2	Financial assets at fair value through profit or (loss)		-
1.5.3	Available-for-sale financial assets		2.438.979
1.5.4	Held to maturity investments		968.679
1.6	Financial lease income		-
1.7	Other interest income		1.098
II.	**Interest expense**	**4.2**	**(12.173.817)**
2.1	Interest on deposits	4.2.4	(9.626.984)
2.2	Interest on funds borrowed	4.2.1	(1.321.006)
2.3	Interest expense on money market transactions		(447.530)
2.4	Interest on securities issued	4.2.3	(723.477)
2.5	Other interest expenses		(54.820)
III.	**Net interest income (I + II)**		**9.211.101**
IV.	**Net fees and commissions income**		**3.136.135**
4.1	Fees and commissions received		4.062.916
4.1.1	Non-cash loans	4.12	554.898
4.1.2	Other		3.508.018
4.2	Fees and commissions paid		(926.781)
4.2.1	Non-cash loans		(280)
4.2.2	Other		(926.501)
V.	**Dividend income**	**4.3**	**2.273**
VI.	**Trading gain/(loss) (net)**	**4.4**	**(812.513)**
6.1	Trading gains/(losses) on securities		53.274
6.2	Derivative financial transactions gains/(losses)	4.5	(1.291.308)
6.3	Foreign exchange gains/(losses)		425.521
VII.	**Other operating income**	**4.6**	**1.135.753**
VIII.	**Total operating income (III+IV+V+VI+VII)**		**12.672.749**
IX.	**Provision for impairment of loans and other receivables (-)**	**4.7**	**(3.253.793)**
X.	**Other operating expenses (-)**	**4.8**	**(5.520.360)**
XI.	**Net operating income/(loss) (VIII-IX-X)**		**3.898.596**
XII.	**Excess amount recorded as income after merger**		**-**
XIII.	**Income/(loss) from investments accounted based on equity method**		**574.818**
XIV.	**Income/(loss) on net monetary position**		**-**
XV.	**Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)**	**4.9**	**4.473.414**
XVI.	**Tax provision for continuing operations (±)**	**4.10**	**(859.333)**
16.1	Current tax provision		(1.010.325)
16.2	Deferred tax provision		150.992
XVII.	**Net profit/loss from continuing operations (XV±XVI)**		**3.614.081**
XVIII.	**Income from discontinued operations**		**-**
18.1	Income from non-current assets held for resale		-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-
18.3	Other income from discontinued operations		-
XIX.	**Expenses from discontinued operations (-)**		**-**
19.1	Expenses for non-current assets held for resale		-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-
19.3	Other expenses from discontinued operations		-
XX.	**Profit /losses before taxes from discontinued operations (XVIII-XIX)**	**4.9**	**-**
XXI.	**Tax provision for discontinued operations (±)**	**4.10**	**-**
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	**Net profit/loss from discontinued operations (XX±XXI)**		**-**
XXIII.	**Net profit/loss (XVII+XXII)**	**4.11**	**3.614.081**
	Earnings/(loss) per share (full TL)		0,0083

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

4 Statement of Profit or Loss and Other Comprehensive Income

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

	Income and expense items accounted under shareholders' equity	Prior Period (31/12/2017)
I.	**Transfers to marketable securities valuation differences from financial assets available for sale**	**72.856**
II.	**Property and equipment revaluation differences**	**(1.372)**
III.	**Intangible assets revaluation differences**	**-**
IV.	**Currency translation differences for foreign currency transactions**	**3.453**
V.	**Profit /loss on cash flow hedges (effective part of the fair value changes)**	**590.799**
VI.	**Profit/loss on foreign net investment hedges (effective part of the fair value changes)**	**(321.859)**
VII.	**Effects of changes in accounting policy and adjustment of errors**	**-**
VIII.	**Other income and expense items accounted under shareholders' equity according to TAS**	**122.703**
IX.	**Deferred tax on valuation differences**	**(101.281)**
X.	**Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)**	**365.299**
XI.	**Current year profit/loss**	**3.614.081**
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	40.402
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	272.787
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-
11.4	Other	3.300.892
XII.	**Total income/loss accounted for the period (X+XI)**	**3.979.380**

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

5. Statement of changes in shareholders' equity

Current Period (31/12/2018) **CHANGES İN SHAREHOLDER'S EQUİTY**	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	**Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss**			**Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss**			**Profit reserves**	**Prior period net income/(loss)**	**Current period net income/(loss)**	**Total shareholders' equity**
					1	**2**	**3**	**4**	**5**	**6**				
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.356.685**	**1.174.944**	**(381.624)**	**375.225**	**16.545.616**	**-**	**3.614.081**	**30.097.927**
II. Adjustment in accordance with TMS 8	**-**	**-**	**-**	**-**	**-**	**-**	**(181.350)**	**-**	**110.325**	**-**	**(62.054)**	**-**	**-**	**(133.079)**
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	(181.350)	-	110.325	-	(62.054)	-	-	(133.079)
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.175.335**	**1.174.944**	**(271.299)**	**375.225**	**16.483.562**	**-**	**3.614.081**	**29.964.848**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**485.503**	**(40.032)**	**2.199**	**892.573**	**(1.476.711)**	**424.109**	**-**	**-**	**4.667.426**	**4.955.067**
V. Capital increase in cash	**4.100.000**	**13.056**	**-**	**(29.472)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.083.584**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**108**	**-**	**-**	**-**	**-**	**-**	**-**	**(108)**	**-**	**-**	**-**
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**	**-**	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…..+X+XI)	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**	**2.067.517**	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and OtherAccumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

5. Statement of changes in shareholders' equity

	Prior Period (31/12/2017)	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
I.	**Prior period end balance**		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**	**1.199.164**	**2.932.795**	**-**	**1.710.409**	**1.449.056**	**15.165**	**163.338**	**-**	**26.118.547**
	Changes in the period																	
II.	**Increase/decrease due to the merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**67.980**	-	-	-	-	**67.980**
IV.	**Hedging transactions (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**205.690**	-	**205.690**
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	451.344	-	451.344
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(245.654)	-	(245.654)
V.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	**(89.037)**	-	-	-	**(89.037)**
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	**1.106**	-	-	**1.106**
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	**(3.504)**	-	-	**6.197**	-	**2.693**
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of the changes in equity of investment in associates**		-	-	-	-	-	-	-	-	-	-	**375.120**	-	-	-	-	**375.120**
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Paid in-capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	**(198.253)**	-	-	-	-	-	-	-	**(198.253)**
XVII.	**Current year income or loss**		-	-	-	-	-	-	-	-	**3.614.081**	-	-	-	-	-	-	**3.614.081**
XVIII.	**Profit distribution**		-	-	-	-	**24.871**	-	**2.761.874**	**146.050**	**(2.932.795)**	-	-	-	-	-	-	-
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+…+XVI+XVII+XVIII)		**4.347.051**	**-**	**543.881**	**-**	**869.410**	**-**	**15.675.023**	**1.146.961**	**3.614.081**	**-**	**2.150.005**	**1.360.019**	**16.271**	**375.225**	**-**	**30.097.927**

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

6. Statement of cash flows

		Notes (Section Five)	Current Period (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**7.876.632**
1.1.1	Interest received		24.373.099
1.1.2	Interest paid		(18.604.908)
1.1.3	Dividend received		66.529
1.1.4	Fees and commissions received		5.363.545
1.1.5	Other income		1.947.729
1.1.6	Collections from previously written-off loans and other receivables		1.262.402
1.1.7	Cash Payments to personnel and service suppliers		(5.715.491)
1.1.8	Taxes paid	6.3	(541.686)
1.1.9	Other		(274.587)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**(3.937.953)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(184.397)
1.2.2	Net (increase) decrease in due from banks		(5.034.266)
1.2.3	Net (increase) decrease in loans		(23.918.591)
1.2.4	Net (increase) decrease in other assets		(5.464.081)
1.2.5	Net increase (decrease) in bank deposits		1.446.944
1.2.6	Net increase (decrease) in other deposits		31.169.851
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		3.712.657
1.2.8	Net increase (decrease) in funds borrowed		(5.685.289)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	6.3	19.219
I.	**Net cash provided from banking operations**		**3.938.679**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(2.135.849)**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	Cash paid for the purchase of tangible and intangible asset		(528.635)
2.4	Cash obtained from the sale of tangible and intangible asset		74.720
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(13.035.896)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		13.749.307
2.7	Cash paid for the purchase of financial assets at amortised cost		(3.674.945)
2.8	Cash obtained from sale of financial assets at amortised cost		1.279.600
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flows from financing activities**		**4.902.413**
3.1	Cash obtained from funds borrowed and securities issued		11.918.467
3.2	Cash outflow from funds borrowed and securities issued		(11.099.590)
3.3	Equity instruments issued		4.083.584
3.4	Dividends paid		-
3.5	Payments for finance lease liabilities		(48)
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**14.526.803**
V.	**Net increase/decrease in cash and cash equivalents**		**21.232.046**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**21.589.701**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**42.821.747**

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

6. Statement of cash flows

		Notes (Section Five)	Prior Period (31/12/2017)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**4.166.200**
1.1.1	Interest received		19.153.891
1.1.2	Interest paid		(11.967.138)
1.1.3	Dividend received		116.939
1.1.4	Fees and commissions received		4.062.916
1.1.5	Other income		(733.014)
1.1.6	Collections from previously written-off loans and other receivables		1.383.315
1.1.7	Cash Payments to personnel and service suppliers		(4.601.194)
1.1.8	Taxes paid		(957.750)
1.1.9	Other	6.3	(2.291.765)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**5.603.444**
1.2.1	Net (increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(19.973)
1.2.2	Net (increase) decrease in due from banks		-
1.2.3	Net (increase) decrease in loans		(4.012.923)
1.2.4	Net (increase) decrease in other assets		(25.135.737)
1.2.5	Net increase (decrease) in bank deposits		(104.306)
1.2.6	Net increase (decrease) in other deposits		1.234.126
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		13.858.215
1.2.8	Net increase (decrease) in funds borrowed		18.234.646
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	6.3	1.549.396
I.	**Net cash provided from banking operations**		**9.769.644**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(6.237.314)**
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		215.307
2.3	Cash paid for the purchase of tangible and intangible asset		(395.404)
2.4	Cash obtained from the sale of tangible and intangible asset		64.903
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(14.259.733)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		9.902.172
2.7	Cash paid for the purchase of financial assets at amortised cost		(2.796.166)
2.8	Cash obtained from sale of financial assets at amortised cost		1.031.607
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flows from financing activities**		**2.888.345**
3.1	Cash obtained from funds borrowed and securities issued		18.454.927
3.2	Cash outflow from funds borrowed and securities issued		(15.565.602)
3.3	Equity instruments issued		-
3.4	Dividends paid		-
3.5	Payments for finance lease liabilities		(980)
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**1.211.207**
V.	**Net increase/decrease in cash and cash equivalents (I+II+III+IV)**		**7.631.882**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**13.957.819**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**21.589.701**

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

7. Profit Distribution(1)

		Current Period (31/12/2018)	Prior Period (31/12/2017)
I.	**Distribution of current year income**		
1.1	Current year income	5.855.491	4.473.414
1.2	Taxes and duties payable (-)	1.188.065	859.333
1.2.1	Corporate tax (income tax)	791.064	1.010.325
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	397.001	(150.992)
A.	**Net income for the year (1.1-1.2)**	**4.667.426**	**3.614.081**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	-
1.5	Other statutory reserves (-)	-	-
B.	**Net income available for distribution [(a-(1.3+1.4+1.5)]**	**4.667.426**	**3.614.081**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	Dividends to personnel (-)	-	-
1.8	Dividends to board of directors (-)	-	-
1.9	Second dividend to shareholders (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	Second legal reserves (-)	-	-
1.11	Statutory reserves (-)	-	-
1.12	Extraordinary reserves	-	3.486.248
1.13	Other reserves	-	-
1.14	Special funds	-	127.833
II.	**Distribution of reserves**	-	-
2.1	Appropriated reserves	-	-
2.2	Second legal reserves (-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	Dividends to personnel (-)	-	-
2.5	Dividends to board of directors (-)	-	-
III.	**Earnings per share**	-	-
3.1	To owners of ordinary shares	**0,0073**	**0,0083**
3.2	To owners of ordinary shares (%)	0,0073	0,0083
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
IV.	**Dividend per share**	-	-
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

(1) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2018 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

Section Three - Accounting policies

1. Explanations on basis of presentation:

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

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

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

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

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

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

The Bank has adopted "TFRS 9: Financial Instruments" to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt TFRS 9 in prior periods.

As permitted by the transitional provisions of TFRS 9, the Bank has chosen not restating the comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the "Profit reserves" of the current period and in the opening balances of "Other comprehensive income". The Bank has also chosen to continue to apply the hedge accounting requirements of TAS 39.

The adoption of TFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and also impairment of financial assets.

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

The following table reconciles the changes for impairment of financial assets between previous measurement category in accordance with TAS 39 as of December 31, 2017 to new measurement categories upon transition to TFRS 9 as of January 1, 2018:

According to related regulations of BRSA		Provision Difference	According to TFRS 9	
Measurement category	**Allowances**	**Remeasurement**	**Measurement category**	**Expected credit loss provisions**
Financial assets	**27.198**	**59.196**	**Financial assets**	**86.394**
Cash and balances with Central Bank	-	77.691	Cash and balances with Central Bank	77.691
Banks	27.198	(18.917)	Banks	8.281
Money markets	-	422	Money markets	422
Financial assets available-for-sale	**17.815**	**4.677**	**Financial assets at fair value through other comprehensive income**	**22.492**
Held-to-maturity investments	**-**	**8.399**	**Financial assets measured at amortised cost**	**8.399**
Loans and receivables	**9.829.564**	**396.070**	**Loans**	**10.225.634**
Lease receivables	**-**	**-**	**Lease receivables**	**-**
Factoring receivables	**-**	**-**	**Factoring receivables**	**-**
Other assets	**186.834**	**(179.987)**	**Other assets**	**6.847**
Off-balance sheet commitments	**356.956**	**758.596**	**Off-balance sheet commitments**	**1.115.552**
Total	**10.418.367**	**1.046.951**	**Total**	**11.465.318**

The effect of application of TFRS 9 to impairment of financial assets is, before tax, TL 1.046.951 expense.

The Bank calculated deferred tax related to Stage 1 and Stage 2 expected credit losses, and recognized under shareholder's equity with initial application of TFRS 9. Calculated tax impact is TL 963.511 income, and as a result net-off tax TL 83.440 expense is recognized under "Profit Reserves" opening balance related to impairment of financial assets.

Besides, the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to TL 181.350 expense and is recognized under "Other accumulated comprehensive income that will not be reclassified in profit or loss" opening balance.

Application of TFRS 9 resulted also in changes to measurement and classification of some financial assets.

Visa Inc. shares and credit linked notes classified as "Available for sale financial assets" per prior application, have been classified as "Financial assets measured at fair value through profit or loss" per TFRS 9 transition applied in the current period. In relation to this change TL 23.456 income and TL 2.070 expense has been transferred from "Marketable securities valuation differences" to "Profit reserves".

Some equity instruments classified as "Available-for-sale financial assets" in the prior period are also classified as "Financial assets measured at fair value through other comprehensive income" irrevocably except Visa Inc. The fair value changes of related instruments will not be reclassified to profit or loss when they are sold.

As of January 1, 2018, the Bank has no other financial instruments that fail the solely payments of principal and interest test except credit linked notes.

In addition, with the adoption of TFRS 9, some public debt securities with an amount of TL 1.998.350 under "financial assets at fair value through other comprehensive income" portfolio are classified as "financial assets measured at amortised cost" due to change in the business model to contractual cash flows representing solely payments of principal and interest of the financial asset. In relation to this change marketable securities valuation expense amouting to TL 131.711 has been reversed from "Marketable securities valuation differences". There is no other changes in the measurement principal apart from related classification.

Per BRSA communique numbered 24049440-045.01[3/8]-E.5380 dated April, 17 2018, titled "Financial Reporting", prior period figures are represented in prior format and without application of TFRS 9 regulations.

TFRS 15 revenue from contracts with customers ("TFRS 15")standard has been effective starting from 1 January 2018, and replaces TMS 18 Revenue ("TMS 18") standard. TFRS 15 has no significant impact on the Bank's accounting policies, financial position and performance.

TFRS16 standard for Leases ("TFRS 16"), effective starting from 1 January 2019, removes the distinction between operating and finance leases applied by the lessee in TMS 17 Leases ("TMS 17"). Instead, there will be a single accounting model which requires almost all leases being recognised on the balance sheet.The Bank intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. For the lessors the accounting treatment will be almost the same with the current applications.

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

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

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

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

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

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "TAS – 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Explanations on interest income and expense:

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

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

6. Explanations on fee and commission income and expenses:

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

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

7. Explanations on financial assets:

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

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

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

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

Assessment of the business model

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

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

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

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of 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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

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

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

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

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.
In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making such assessment, the Bank:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- conditions restricting the Bank from asking the cash flows of the assets
- features that change the time value of the money

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

7.1 Financial assets at fair value through profit or loss

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

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

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

7.2. Financial assets measured at amortised cost:

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

7.3. Loans :

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

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

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering 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 measured at fair value through other comprehensive income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis.
Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

8. Explanations on impairment of financial assets:

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

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

The measurement of the expected credit loss allowance:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

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

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

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

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

The main adjustments aimed at:

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

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

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

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

With reference to the quantitative component of the model for stage allocation, the 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 Bank 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 Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

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

Forward Looking Information:

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

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

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

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

9. Explanations on offsetting financial assets:

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

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

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

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

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

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

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the 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 Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the "TAS – 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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

13. Explanations on property and equipment:

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

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with "TAS – 16 Property, Plant and Equipment".

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

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

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

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

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

14. Explanations on leasing transactions:

The Bank performs financial and operational leasing in the capacity of the lessee.

14.1 Financial lease

The Bank includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognized. The liabilities arising from financial leasing contracts are accounted under "Financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables. The Bank does not perform financial leasing operations as "Lessor".

14.2. Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

15. Explanations on provisions, contingent liabilities:

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

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

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

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

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

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

16.2. Pension rights

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

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 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 Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

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

17. Explanations on taxation:

17.1. Current tax:

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

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

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

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared 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.

17.2. Deferred tax:

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

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

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

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

17.3. Transfer pricing:

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

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

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

18. Explanations on borrowings:

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

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

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

Also, the Bank obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

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

No dividend payments 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 Bank received government grant from TÜBİTAK amounting to TL 1.075 (December 31, 2017 - TL 1.183).

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.

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

23. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	4.667.426	3.614.081
Weighted average number of issued ordinary shares(thousand)	643.084.249	434.705.128
Earnings per share (full TL)	**0,0073**	**0,0083**

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 2018 (2017 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS – 24 Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

25. Explanations on operating segments:

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

26. Explanations on other matters:

None.

27. Explanations on prior period accounting policies not valid for the current period:

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

The Bank classifies and accounts its financial assets as "fair value through profit or loss", "available-for-sale", "loans and receivables" or "held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

27.1 Financial assets at fair value through profit or loss:

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

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

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments.

27.2. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with "TAS – 39 Financial Instruments: Recognition and Measurement", sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

27.3. Loans and receivables:

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables 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 Bank provides general and specific provisions 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. 26333 dated November 1, 2006. 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.

27.4. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not 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 available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", 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 available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets 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 and dividend income as appropriate.

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

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity". The capital adequacy ratio of the Bank is 16,07% (December 31, 2017 – 14,49%).

1.1. Information on equity:

	Current Period	Amounts subject to treatment before 1/1/2014[1]	Prior Period	Amounts subject to treatment before 1/1/2014[1]
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	8.447.051		4.347.051	
Share issue premiums	556.937		543.881	
Retained earnings	21.391.324		16.545.616	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	6.833.879		6.054.914	
Profit	4.667.426		3.614.081	
Net profit of the period	4.667.426		3.614.081	
Profit of the previous years	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	16.934		16.271	
Common Equity Tier 1 capital before regulatory adjustments	**41.913.551**		**31.121.814**	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	53.668		90.195	
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	2.910.052		1.023.887	
Improvement costs for operating leasing	99.637		91.369	
Goodwill (net of related tax liability)	979.493	-	783.594	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	721.454	-	489.500	611.874
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	1.513.584		836.691	
Shortfall of provisions to expected losses	-		-	
Securitisation gain on sale	-		-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Investments in own shares	-		-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Mortgage servicing rights (amount above 10% threshold)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-		-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	805.305		547.770	
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	**7.083.193**		**3.863.006**	
Common Equity Tier 1 capital (CET1)	**34.830.358**		**27.258.808**	

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ADDITIONAL TIER 1 CAPITAL	Current Period	Amounts subject to treatment before 1/1/2014(1)	Prior Period	Amounts subject to treatment before 1/1/2014(1)
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-		-	
Additional Tier 1 capital before regulatory adjustments	**-**		**-**	
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 (-)	-	-	318.273	-
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	**-**		**-**	
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**34.830.358**		**26.940.535**	
TIER 2 CAPITAL				
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	7.070.650		5.865.305	
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)	711.040		711.040	
Provisions (Article 8 of the Regulation on the Equity of Banks) (2)	2.522.438		2.893.299	
Tier 2 capital before regulatory adjustments	**10.304.128**		**9.469.644**	
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	87.791		72.789	
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	**87.791**		**72.789**	
Total Tier 2 capital	**10.216.337**		**9.396.855**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**45.002.936**		**36.198.441**	
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	4.893		3.750	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(3)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	38.866		135.199	
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)	45.002.936	36.198.441
Total Risk Weighted Assets	280.045.872	249.893.152
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12,44	10,91
Tier 1 Capital Adequacy Ratio (%)	12,44	10,78
Capital Adequacy Ratio (%)	16,07	14,49
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	1,900	1,261
a) Capital conservation buffer requirement (%)	1,875	1,250
b) Bank's specific countercyclical buffer requirement (%)	0,025	0,011
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,437	4,908
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)	2.393.632	1.693.432
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	5.177.890	3.332.694
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.233.895	2.893.299
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	711.040	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.549.860	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.
(2) Represents post-tax net amount of general provisions.
(3) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Details on Subordinated Liabilities:

	1	2	3	4
Lender (1,2), Issuer (3,4)	UNICREDIT SPA	UNICREDIT SPA	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
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at 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
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.463	1.978	711	2.630
Par value of instrument	3.078	2.473	5.261	2.630
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years + 1 day
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	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 basis points, 8,625% 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
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
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
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	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 liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4. Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Private sector receivables :

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	212.459.885	-	212.459.885
Malta	974.845	-	974.845
Italy	435.439	-	435.439
Marshall Islands	435.322	-	435.322
Republic of Maldives	391.820	-	391.820
Azerbaijan	389.076	-	389.076
United States of America	364.686	-	364.686
Germany	330.066	-	330.066
Russia	321.262	-	321.262
Netherland	310.135	-	310.135
England	287.717	-	287.717
Other	1.023.612	-	1.023.612
Total	**217.723.865**	-	**217.723.865**

2. Explanations on Risk Management*:*

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type.While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office.

Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

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

Different rating systems are used for Small and Medium Sized Entities (SME), Corporate and Commercial customers during the underwriting process of the Bank. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of Corporate, Commercial and SME customers. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate and Commercial customers of the Parent Bank is as follows:

	Current Period	**Prior Period**
Above average (1-4)	48,1%	46,5%
Average (5+ -6)	45,1%	46,9%
Below average (7+ -9)	6,8%	6,6%

The Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Classifications:	**Current Period risk amount (1)**	**Average risk amount**
Conditional and unconditional receivables from central governments or central banks	97.830.947	86.219.125
Conditional and unconditional receivables from regional or local governments	-	88
Conditional and unconditional receivables from administrative units and non-commercial enterprises	144.783	211.343
Conditional and unconditional receivables from multilateral development banks	10.033	8.192
Conditional and unconditional receivables from banks and brokerage houses	17.886.839	19.123.377
Conditional and unconditional receivables from corporates	163.856.545	154.529.849
Conditional and unconditional retail receivables	77.223.015	80.126.571
Conditional and unconditional receivables secured by mortgages	28.254.431	29.331.162
Past due receivables	3.591.068	1.687.666
Receivables defined as high risk category by the Regulator	105.735	34.429
Investment in equities	2.567	41.635
Other receivables	6.165.790	5.455.096
Conditional and unconditional receivables from central governments or central banks	12.589.841	10.272.333
Total	**407.661.594**	**387.040.866**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2 The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3 In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4 Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5 Regarding credit risk;

- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 31% and 40% (31.12.2017- 27% and 35%).
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 64% (31.12.2017- 49% and 62%).
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 37% and 47% of total cash loans and non-cash loans (31.12.2017- 34% and 42%).

2.6 The Bank provided a generic loan loss provision amounting to TL 5.177.890 (December 31, 2017 - TL 3.332.694).

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

2.7 Risk profile according to the geographical concentration:

	Risk Classifications [1][2]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Current Period														
Domestic	97.830.947	-	144.783	-	170.475	156.548.026	77.214.539	28.250.110	3.556.045	105.662	2.567	10.614	12.589.841	376.423.609
EU countries	-	-	-	2.133	15.895.645	2.337.700	5.004	1.611	14.814	-	-	-	-	18.256.907
OECD countries [3]	-	-	-	-	730.633	1.002.214	651	1.524	-	73	-	-	-	1.735.095
Off-shore banking regions	-	-	-	-	50.628	1.305.144	8	-	13.294	-	-	-	-	1.369.074
USA, Canada	-	-	-	7.900	841.829	913.892	548	253	14	-	-	170.522	-	1.934.958
Other countries	-	-	-	-	197.629	1.749.569	2.265	933	6.901	-	-	-	-	1.957.297
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	5.984.654	-	5.984.654
Undistributed Assets / Liabilities [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**	**77.223.015**	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**407.661.594**

	Risk Classifications [1][2]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Prior Period														
Domestic	82.474.544	184	217.385	-	6.657.642	132.747.258	81.893.315	26.639.303	2.120.135	190.328	94.843	9.365	7.970.354	341.014.656
EU countries	-	-	-	1.785	11.151.664	1.699.844	6.002	2.291	7	2	-	-	-	12.861.595
OECD countries [3]	-	-	-	-	168.087	691.967	921	1.536	-	-	-	-	-	862.511
Off-shore banking regions	-	-	-	-	743.304	65.279	3.690	-	8.399	-	-	-	-	820.672
USA, Canada	-	-	-	4.281	1.386.754	1.430.735	932	353	-	-	-	94.713	-	2.917.768
Other countries	-	-	-	-	172.298	1.026.326	3.337	468	28.243	-	-	-	-	1.230.672
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	4.811.867	-	4.811.867
Undistributed Assets / Liabilities [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**82.474.544**	**184**	**217.385**	**6.066**	**20.279.749**	**137.661.409**	**81.908.197**	**26.643.951**	**2.156.784**	**190.330**	**94.843**	**4.915.945**	**7.970.354**	**364.519.741**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.8 Risk profile according to sectors and counterparties:

	Risk classifications (1)(2)															
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**TL**	**FC**	**Total**
Agricultural	**-**	**-**	**3.389**	**-**	**-**	**3.857.138**	**2.833.593**	**637.184**	**223.954**	**1.086**	**-**	**-**	**-**	**4.628.157**	**2.928.187**	**7.556.344**
Farming and raising livestock	-	-	3.389	-	-	2.745.598	1.896.793	456.666	194.964	891	-	-	-	3.235.879	2.062.422	5.298.301
Forestry	-	-	-	-	-	855.901	906.891	178.349	27.004	193	-	-	-	1.330.276	638.062	1.968.338
Fishing	-	-	-	-	-	255.639	29.909	2.169	1.986	2	-	-	-	62.002	227.703	289.705
Manufacturing	**-**	**-**	**2.702**	**-**	**-**	**90.961.953**	**16.472.178**	**6.912.826**	**2.242.318**	**73.205**	**-**	**4.261**	**-**	**44.828.777**	**71.840.666**	**116.669.443**
Mining	-	-	23	-	-	2.615.873	441.107	267.373	174.998	126	-	-	-	1.384.903	2.114.597	3.499.500
Production	-	-	2.635	-	-	48.982.043	15.701.264	6.289.699	1.037.816	7.973	-	4.261	-	36.664.598	35.361.093	72.025.691
Electric, gas and water	-	-	44	-	-	39.364.037	329.807	355.754	1.029.504	65.106	-	-	-	6.779.276	34.364.976	41.144.252
Construction	**-**	**-**	**32**	**-**	**-**	**30.895.433**	**6.836.310**	**8.426.396**	**351.204**	**15.350**	**-**	**-**	**-**	**16.000.990**	**30.523.735**	**46.524.725**
Services	**97.830.947**	**-**	**138.659**	**10.033**	**17.198.046**	**37.746.884**	**9.061.446**	**5.076.240**	**419.316**	**6.148**	**-**	**6.159.191**	**9.071.205**	**85.877.735**	**96.840.380**	**182.718.115**
Wholesale and retail trade	-	-	334	-	-	5.718.622	4.169.173	1.028.470	182.133	3.107	-	-	-	7.731.238	3.370.601	11.101.839
Hotel, food and beverage services	-	-	47	-	-	4.711.139	1.124.239	2.422.035	92.463	415	-	-	-	2.654.113	5.696.225	8.350.338
Transportation and telecommunication	-	-	-	-	-	8.692.011	1.772.418	478.547	69.055	1.826	-	5.000	-	3.311.348	7.707.509	11.018.857
Financial institutions	97.830.947	-	34	10.033	17.198.046	7.387.110	183.511	59.774	3.973	33	-	5.047.188	9.071.205	64.168.403	72.623.451	136.791.854
Real estate and renting services	-	-	-	-	-	389.387	54.131	5.799	26.183	4	-	-	-	305.547	169.957	475.504
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	928	-	-	189.421	147.285	44.998	1.212	22	-	-	-	340.376	43.490	383.866
Health and social services	-	-	137.316	-	-	10.659.194	1.610.689	1.036.617	44.297	741	-	1.107.003	-	7.366.710	7.229.147	14.595.857
Other	**-**	**-**	**1**	**-**	**688.793**	**395.137**	**42.019.488**	**7.201.785**	**354.276**	**9.946**	**2.567**	**2.338**	**3.518.636**	**53.378.893**	**814.074**	**54.192.967**
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**	**77.223.015**	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**204.714.552**	**202.947.042**	**407.661.594**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.9 Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	20.842.879	950.721	1.364.690	502.707	74.168.749	97.829.746
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	49.600	1.866	32.142	12.612	48.496	144.716
Conditional and unconditional receivables from multilateral development banks	-	593	8.973	226	241	10.033
Conditional and unconditional receivables from banks and brokerage houses	6.299.115	1.396.596	1.664.867	1.167.277	6.028.395	16.556.250
Conditional and unconditional receivables from corporates	13.330.719	10.455.580	13.885.318	18.536.898	107.587.344	163.795.859
Conditional and unconditional retail receivables	28.486.215	2.917.633	4.515.745	6.317.352	31.842.988	74.079.933
Conditional and unconditional receivables secured by mortgages	797.136	651.310	1.420.575	2.004.759	23.322.026	28.195.806
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	8.616	3.015	1.154	66.278	26.669	105.732
Exposures in the form of collective investment undertaking	-	2.567	-	-	-	2.567
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	**69.814.280**	**16.379.881**	**22.893.464**	**28.608.109**	**243.024.908**	**380.720.642**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10 Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

	Risk Weights	0%	20%	35%	50%	75%	100%	150%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	92.247.446	7.863.526	9.561.347	31.048.376	77.223.013	188.801.105	916.781	407.661.594	2.737.439
2	Total exposure after credit risk mitigation	101.687.369	7.537.817	9.561.347	30.424.983	71.129.339	181.985.091	551.354	402.877.300	2.737.439

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

2.11. Information according to sectors and counterparties :

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2018.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2018.

Sectors and Counterparties	Loans		Provisions
	Impaired		
	Significant increase in credit risk (stage 2)	Credit Impaired (stage 3)	Expected Credit Losses
Agricultural	**436.489**	**656.719**	**546.570**
Farming and raising livestock	333.943	632.336	507.089
Forestry	19.332	16.410	14.771
Fishing	83.214	7.973	24.710
Manufacturing	**20.983.065**	**7.151.525**	**7.280.438**
Mining	78.653	280.944	123.725
Production	5.184.940	4.703.235	4.152.757
Electric, gas and water	15.719.472	2.167.346	3.003.956
Construction	**4.929.792**	**1.796.435**	**1.783.962**
Manufacturing	**5.835.272**	**2.126.538**	**2.126.214**
Wholesale and retail trade	978.028	872.607	749.668
Hotel, food and beverage services	513.601	296.497	227.480
Transportation and telecommunication	584.867	364.849	332.610
Financial institutions	1.216.774	90.264	200.894
Real estate and renting services	1.791.563	157.539	288.273
Professional Services	-	-	-
Education services	26.110	13.190	12.818
Health and social services	724.329	331.592	314.471
Other	**2.997.205**	**1.727.768**	**1.501.749**
Total	**35.181.823**	**13.458.985**	**13.238.933**

2.12 Information about value adjustments and changes in the loan impairment:

		31.12.2017 Close out balance	TFRS 9 Remeasurement	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments(1)	Close out balance
1	Specific provisions	7.085.673	1.712.262	8.797.935	4.473.100	(1.148.697)	(2.505.832)	9.616.506
2	General provisions	3.332.694	(665.311)	2.667.383	2.510.507	-	-	5.177.890

(1) The figure represents write-off's and also includes NPL sales amounts.

3. Explanations on Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Credit Risk Control and Operational Risk Management" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management , budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Analytical Modelling and Macroeconomic Research Department under the supervision of Chief Economist.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level..

For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

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

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		**Minimum Capital Requirements**
		Current Period	**Prior Period**	**Current Period**
1	Credit risk (excluding counterparty credit risk) (CCR)	251.757.093	223.580.717	20.140.567
2	Of which standardised approach (SA)	251.757.093	223.580.717	20.140.567
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	6.953.111	7.836.138	556.249
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6.953.111	7.836.138	556.249
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	1.459	47.101	117
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	2.037.040	1.835.098	162.963
17	Of which standardised approach (SA)	2.037.040	1.835.098	162.963
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	19.297.169	16.594.098	1.543.773
20	Of which Basic Indicator Approach	19.297.169	16.594.098	1.543.773
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	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**280.045.872**	**249.893.152**	**22.403.669**

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

3.2. Linkages between financial statements and risk amounts

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

		Carrying values of items in accordance with TAS				
Current Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Financial Assets (Net)	114.742.194	105.786.176	10.667.319	-	5.097.504	87.791
Loans(Net)	211.338.150	216.132.740	-	-	-	43.759
Assets Held For Resale And Related To Discontinued Operations (Net)	288.349	288.349	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	6.789.960	5.984.655	-	-	-	805.305
Property And Equipment (Net)	3.270.211	3.170.574	-	-	-	99.637
Intangible Assets (Net)	1.749.439	48.492	-	-	-	1.700.947
Tax Asset	569.635	569.635	-	-	-	-
Other Assets	9.295.653	9.372.391	-	-	-	-
TOTAL ASSETS	**348.043.591**	**341.353.012**	**10.667.319**	**-**	**5.097.504**	**2.737.439**
Liabilities						
Deposits	202.549.136	-	-	-	-	202.549.136
Borrowings	37.349.338	-	-	-	-	37.349.338
Money Markets	1.545.621	-	1.345.575	-	-	200.046
Marketable Securities Issued	16.385.012	-	-	-	-	16.385.012
Financial liabilities fair value through profit and loss	7.965.404	-	-	-	-	7.965.404
Derivative Financial Liabilities	7.281.305	-	7.281.305	-	5.632.629	-
Lease Payables	219	-	-	-	-	219
Provisions	3.307.657	-	-	-	-	3.307.657
Tax Liability	1.091.311	-	-	-	-	1.091.311
Subordinated Loans	13.557.153	-	-	-	-	13.557.153
Other Liabilities	18.007.936	-	-	-	-	18.007.936
Shareholder's Equity	39.003.499	-	-	-	-	39.003.499
TOTAL LIABILITIES	**348.043.591**	**-**	**8.626.880**	**-**	**5.632.629**	**339.416.711**

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

		Carrying values of items in accordance with TAS				
Prior Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to credit risk**	**Subject to market risk**	**Subject to credit risk**
Assets						
Cash and balances with the Central Bank	41.973.579	41.973.579	-	-	-	-
Trading Financial Assets	4.118.198	-	4.061.218	-	2.459.067	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	2.720.627	2.720.627	-	-	-	-
Money Market Placements	816.887	816.887	-	-	-	-
Financial Assets Available-for-Sale (net)	24.307.660	24.243.749	6.937.612	-	58.062	162.984
Loans and Receivables	194.960.443	194.821.494	-	-	-	138.949
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	13.030.911	13.030.911	2.249.012	-	-	-
Investment in Associates (net)	533.887	4.503	-	-	-	529.384
Investment in Subsidiaries (net)	4.807.364	4.807.364	-	-	-	-
Investment in Joint ventures (net)	18.386	-	-	-	-	18.386
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	1.688.395	-	1.688.395	-	-	-
Property And Equipment (Net)	2.572.976	2.481.607	-	-	-	91.369
Intangible Assets (Net)	1.626.850	35.483	-	-	-	1.591.367
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	202.019	202.019	-	-	-	-
Other Assets	4.432.138	4.432.138	-	-	-	-
Total Assets	**297.810.320**	**289.570.361**	**14.936.237**	**-**	**2.517.129**	**2.532.439**
Liabilities						
Deposits	169.347.217	-	-	-	-	169.347.217
Derivative Financial Liabilities Held for Trading	3.837.904	-	3.837.904	-	2.183.403	-
Funds Borrowed	39.130.059	-	-	-	-	39.130.059
Money Markets	12.800.151	-	9.014.576	-	-	3.785.575
Marketable Securities Issued	12.492.842	-	-	-	-	12.492.842
Funds	-	-	-	-	-	-
Miscellaneous Payables	12.154.312	-	-	-	-	12.154.312
Other Liabilities	1.780.635	-	-	-	-	1.780.635
Factoring Payables	-	-	-	-	-	-
Lease Payables	131	-	-	-	-	131
Derivative Financial Liabilities Held For Hedging	312.426	-	312.426	-	-	-
Provisions	5.316.705	-	-	-	-	5.316.705
Tax Liability	821.207	-	-	-	-	821.207
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	9.718.804	-	-	-	-	9.718.804
Shareholder's Equity	30.097.927	-	-	-	-	30.097.927
Total Liabilities	**297.810.320**	**-**	**13.164.906**	**-**	**2.183.403**	**284.645.414**

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

3.2.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	357.117.835	341.353.012	-	10.667.319	5.097.504
2	Liabilities carrying value amount under regulatory scope of consolidation	2.994.251	-	-	8.626.880	(5.632.629)
3	**Total net amount under regulatory scope of consolidation**	**360.112.086**	**341.353.012**		**19.294.199**	**(535.125)**
4	Off-Balance Sheet Amounts	162.150.694	56.433.128	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences Resulted from the BRSA's Applications		-	-	-	2.572.165
9	Differences due to risk reduction		(1.619.148)	-	(12.583.891)	-
	Risk Amounts		**396.166.992**	**-**	**6.710.308**	**2.037.040**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	307.023.727	289.570.361	-	14.936.237	2.517.129
2	Liabilities carrying value amount under regulatory scope of consolidation	10.981.503	-	-	13.164.906	(2.183.403)
3	**Total net amount under regulatory scope of consolidation**	**318.005.230**	**289.570.361**	**-**	**28.101.143**	**333.726**
4	Off-Balance Sheet Amounts	186.924.993	54.872.474	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences Resulted from the BRSA's Applications		-	-	-	1.501.372
9	Differences due to risk reduction		(1.659.645)	-	(19.014.623)	-
	Risk Amounts		**342.783.190**	**-**	**9.086.520**	**1.835.098**

3.2.3 Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on Credit Risk

3.3.1 General information on credit risk

3.3.1.1 General qualitative information on credit risk

Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for SME, Corporate and Commercial customers during the underwriting process of the Bank. A separate rating model is used for the customers which operate in construction industry.

The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook and aligned with the UniCredit Group rules to the maximum possible extent.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks.During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies,key messages are provided based on principles of prudence,continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 4 sub units.

Commercial Credit Risk Management is responsible for monitoring the design, development and implementation of probability of default (PD), exposure at default (EAD), loss given default (LGD) models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and providing the design, development and implementation of all models to be developed under the scope of standards that have been specified for corporate customer segments.

Retail Credit Risk Management is responsible for the development of the models and strategies that ensures efficient management of the credits for Banks growth targets and implementation of such strategies and models in rating and decision support systems.

Basel II Program Management and Credit Risk Control Unit Section is responsible for active participation to the model development process and providing opinion as the last authority monitoring the performance of the rating systems and preparation of regular analysis based on the results, maintenance of proper running of the rating systems, leadership of the activities performed to close the gaps, information to BRSA and related parties in the Bank about the changes on the rating systems, maintenance of the implementation of the models in the Bank's processes in line with BRSA requirements, management of the IRB transition period and submission of necessary documents and monitoring the related projects.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank's internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Risk Reporting Control and Operational Risk Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics.The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals .The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification, reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

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

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

3.3.1.2 Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	12.379.857	212.650.945	13.692.652	211.338.150
2	Debt Securities	-	48.451.023	93.362	48.357.661
3	Off-balance sheet exposures	1.079.128	151.004.470	865.369	151.218.229
	Total	**13.458.985**	**412.106.438**	**14.651.383**	**410.914.040**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	9.024.397	192.882.576	10.061.411	191.845.562
2	Debt Securities	-	37.291.473	-	37.291.473
3	Off-balance sheet exposures	944.029	211.264.326	356.956	211.851.399
	Total	**9.968.426**	**441.438.375**	**10.418.367**	**440.988.434**

3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**9.968.426**	**9.581.309**
2	Loans and debt securities that have defaulted since the last reporting period	8.163.643	3.397.438
3	Returned to non-defaulted status	912.790	70.342
4	Amounts written off	2.505.832	1.627.006
5	Other changes	(1.254.462)	(1.312.973)
	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	**13.458.985**	**9.968.426**

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

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation “Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside” in the cases:

- For which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- Which have limited means for total recovery because debtors’ equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1 Exposures provisioned against by major regions(1)

	Current Period	Prior Period
Domestic	289.718.974	262.967.131
USA,Canada	1.848.127	2.847.633
European Union (EU) Countries	4.864.518	3.866.748
OECD Countries	2.442.738	1.488.369
Off-Shore Banking Regions	795	250
Other Countries	2.813.895	1.956.606
Total	**301.689.047**	**273.126.737**

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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

3.3.1.4.2 Exposures provisioned against by major sectors [1]

	Current Period	Prior Period
Agricultural	**6.253.534**	**2.884.090**
Farming and raising livestock	5.156.687	2.392.245
Forestry	791.809	237.300
Fishing	305.038	254.545
Manufacturing	**124.940.044**	**106.389.902**
Mining and Quarrying	1.920.091	3.133.081
Production	80.561.262	71.696.725
Electricity, Gas, Water	42.458.691	31.560.096
Construction	**50.761.150**	**38.670.067**
Services	**50.809.723**	**57.341.717**
Wholesale and retail trade	8.641.160	17.688.834
Hotel, food and beverage services	7.683.497	8.046.555
Transportation and telecommunication	12.052.947	8.971.155
Financial institutions	9.842.157	10.345.836
Real estate and leasing services	2.511.232	4.371.881
Self-employment services	-	-
Education services	338.336	312.631
Health and social services	9.740.394	7.604.825
Other	**68.924.596**	**67.840.961**
Total	**301.689.047**	**273.126.737**

(1) Breakdown of cash loans, non-cash loans and non-performing loans by sectors.

3.3.1.4.3 Receivables according to remaining maturities[1]:

Receivables according to remaining maturities are explained Note VII of Section 4.

3.3.1.4.4 Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note II of Section 4.

3.3.1.4.5 Exposures provisioned against by major regions :

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 12.202.258 (December,31 2017- TL 8.913.820) has been set aside for the risk at an amount of TL 8.734.513 (December,31 2017- TL 6.872.595)

3.3.1.4.6 Aging analysis for overdue receivables [1]

	Current Period	Prior Period
31-60 days	1.654.459	1.552.501
61-90 days	1.143.952	918.519
Other	29.707.328	2.982.033
Total	**32.505.739**	**5.453.053**

(1) Overdue receivables represent overdue of cash loans.

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

3.3.1.4.7 Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

	Current Period
Loans restructured from Loans and other receivables under close monitoring	4.507.426
Loans restructured from Loans under legal follow-up	2.141.911
Total	**6.649.337**

	Prior Period
Loans restructured from Standard Loans and Other Receivables	3.489.981
Loans restructured from Loans and other receivables under close monitoring	2.158.715
Loans restructured from Loans under legal follow-up	217.040
Total	**5.865.736**

3.3.1.4.8 Informations related to expected credit losses for loans:

	Stage1	Stage2	Stage3	Total
Begining of the period (1 January 2018)	**1.775.595**	**594.458**	**7.855.580**	**10.225.634**
Additions	307.347	2.803.355	6.369.614	9.480.316
Disposals	591.109	390.194	2.896.515	3.877.818
Sold (-)	-	-	2.014.893	2.014.893
Write offs	-	-	490.939	490.939
Transfer to stage 1	53.179	(47.419)	(5.760)	-
Transfer to stage 2	(334.860)	386.557	(51.697)	-
Transfer to stage 3	(40.088)	(48.824)	88.912	-
Foreign currency differences	59.226	311.127	-	370.353
End of the period	**1.229.290**	**3.609.060**	**8.854.302**	**13.692.652**

3.3.2 Credit risk mitigation

3.3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements , the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

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

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

3.3.2.2 Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	146.881.022	64.457.128	37.506.118	12.559.374	9.177.350	-	-
Debt securities	48.357.661	-	-	-	-	-	-
Total	**195.238.683**	**64.457.128**	**37.506.118**	**12.559.374**	**9.177.350**	**-**	**-**
Of which defaulted	2.047.013	1.478.542	385.677	199.034	46.465	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	144.989.898	46.855.664	33.295.272	8.776.206	8.042.630	-	-
Debt securities	37.291.473	-	-	-	-	-	-
Total	**182.281.371**	**46.855.664**	**33.295.272**	**8.776.206**	**8.042.630**	**-**	**-**
Of which defaulted	1.251.992	825.875	269.259	68.444	50.471	-	-

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

3.3.3 Credit risk under standardised approach

3.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Remaining maturity of claims under 3 months	Remaining maturity of claims over 3 months	
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

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

3.3.3.2 Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	97.824.620	4.396	106.898.763	371.306	10.779.696	10,05%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	89.289	133.970	89.285	54.812	144.097	100,00%
4	Exposures to multilateral development banks	-	19.796	-	10.033	-	0,00%
5	Exposures to institutions	9.886.876	5.802.535	10.036.548	3.013.317	5.832.724	44,70%
6	Exposures to corporates	115.066.308	100.587.739	109.929.988	44.017.505	152.263.063	98,91%
7	Retail exposures	69.490.305	53.028.108	63.832.377	7.289.559	53.341.452	75,00%
8	Exposures secured by residential property	9.514.269	100.901	9.514.269	47.078	3.346.472	35,00%
9	Exposures secured by commercial real estate	17.197.592	2.156.177	17.197.592	1.463.014	9.330.303	50,00%
10	Past-due loans	3.508.678	136.233	3.460.061	82.188	3.078.279	86,90%
11	Higher-risk categories by the Agency Board	16.877	180.839	16.783	84.316	150.361	148,73%
12	Exposures in the form of collective investment undertaking	2.567	-	2.567	-	1.459	56,84%
13	Investments in equities	6.165.790	-	6.165.790	-	6.165.790	100,00%
14	Other receivables	12.589.841	-	12.589.841	-	7.324.856	58,18%
	Total	**341.353.012**	**162.150.694**	**339.733.864**	**56.433.128**	**251.758.552**	**63,55%**

	Prior Period	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	75.711.643	755.191	85.135.961	769.675	10.126.958	11,79%
2	Exposures to regional governments or local authorities	-	920	-	184	37	20,11%
3	Exposures to public sector entities	172.631	101.193	171.388	43.281	83.189	38,75%
4	Exposures to multilateral development banks	-	10.544	-	6.066	-	-
5	Exposures to institutions	8.084.255	4.214.359	8.280.682	2.013.082	4.863.644	47,25%
6	Exposures to corporates	95.538.027	127.224.744	90.672.679	38.520.750	127.881.393	98,98%
7	Retail exposures	69.404.596	51.977.882	63.042.738	12.266.707	56.482.083	75,00%
8	Exposures secured by residential property	10.609.461	291.189	10.609.461	138.631	3.761.832	35,00%
9	Exposures secured by commercial real estate	14.990.741	1.304.289	14.990.741	849.540	7.920.140	50,00%
10	Past-due loans	2.027.848	521.817	1.975.940	128.215	2.136.525	101,54%
11	Higher-risk categories by the Agency Board	50.017	522.865	49.984	136.343	277.368	148,86%
12	Exposures in the form of collective investment undertaking	94.843	-	94.843	-	47.101	49,66%
13	Investments in equities	4.915.945	-	4.915.945	-	4.915.945	100,00%
14	Other receivables	7.970.354	-	7.970.354	-	5.131.603	64,38%
	Total	**289.570.361**	**186.924.993**	**287.910.716**	**54.872.474**	**223.627.818**	**65,24%**

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

3.3.3.3 Standardised approach – exposures by asset classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	96.490.372	-	-	-	-	-	10.779.697	-	-	-	-	107.270.069
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	144.097	-	-	-	-	144.097
4	Exposures to multilateral development banks	10.033	-	-	-	-	-	-	-	-	-	-	10.033
5	Exposures to institutions	-	-	6.046.065	-	4.761.382	-	2.241.614	804	-	-	-	13.049.865
6	Exposures to corporates	-	-	470.454	-	2.616.132	-	150.860.907	-	-	-	-	153.947.493
7	Retail exposures	-	-	-	-	-	71.121.936	-	-	-	-	-	71.121.936
8	Exposures secured by residential property	-	-	-	9.561.347	-	-	-	-	-	-	-	9.561.347
9	Exposures secured by commercial real estate	-	-	-	-	18.660.606	-	-	-	-	-	-	18.660.606
10	Past-due loans	-	-	-	-	1.379.225	-	1.711.738	451.286	-	-	-	3.542.249
11	Higher-risk categories by the Agency Board	-	-	-	-	741	-	1.094	99.264	-	-	-	101.099
12	Investments made in collective investment companies	351	-	670	-	442	-	1.104	-	-	-	-	2.567
13	Investments in equities	-	-	-	-	-	-	6.165.790	-	-	-	-	6.165.790
14	Other receivables	5.186.612	-	97.961	-	-	-	7.305.268	-	-	-	-	12.589.841
	Total	**101.687.368**	**-**	**6.615.150**	**9.561.347**	**27.418.528**	**71.121.936**	**179.211.309**	**551.354**	**-**	**-**	**-**	**396.166.992**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	75.778.678	-	-	-	-	-	10.126.958	-	-	-	-	85.905.636
2	Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	184
3	Exposures to public sector entities	-	-	164.350	-	-	-	50.319	-	-	-	-	214.669
4	Exposures to multilateral development banks	6.066	-	-	-	-	-	-	-	-	-	-	6.066
5	Exposures to institutions	-	-	4.380.406	-	3.851.589	-	2.061.769	-	-	-	-	10.293.764
6	Exposures to corporates	-	-	686.431	-	1.525.779	-	126.981.219	-	-	-	-	129.193.429
7	Retail exposures	-	-	-	-	-	75.309.445	-	-	-	-	-	75.309.445
8	Exposures secured by residential property	-	-	-	10.748.092	-	-	-	-	-	-	-	10.748.092
9	Exposures secured by commercial real estate	-	-	-	-	15.840.281	-	-	-	-	-	-	15.840.281
10	Past-due loans	-	-	-	-	607.123	-	825.172	671.860	-	-	-	2.104.155
11	Higher-risk categories by the Agency Board	-	-	-	-	1.122	-	2.003	183.202	-	-	-	186.327
12	Investments made in collective investment companies	6.966	-	18.661	-	51.695	-	17.521	-	-	-	-	94.843
13	Investments in equities	-	-	-	-	-	-	4.915.945	-	-	-	-	4.915.945
14	Other receivables	2.694.663	-	180.105	-	-	-	5.095.586	-	-	-	-	7.970.354
	Total	**78.486.373**	**-**	**5.430.137**	**10.748.092**	**21.877.589**	**75.309.445**	**150.076.492**	**855.062**	**-**	**-**	**-**	**342.783.190**

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

3.4 Explanation on Counterparty credit risk

3.4.1 Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2 Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	4.257.469	1.583.452		1,4	5.818.652	4.067.442
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					534.254	220.723
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.288.165**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	4.889.995	2.746.204		1,4	7.622.222	4.090.889
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					1.257.077	510.619
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.601.508**

(1) Effective expected positive exposure

3.4.3 Credit valuation adjustment (CVA) capital charge

		Current Period		Prior Period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3	All portfolios subject to Standardised CVA capital obligation	6.352.906	2.486.015	8.879.299	3.131.015
	Total amount of CVA capital adequacy	**6.352.906**	**2.486.015**	**8.879.299**	**3.131.015**

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

3.4.4 Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk[1]
1	Central goverments and central banks receivables	-	-	-	-	-	-	5.466	-	-	5.466
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
6	Corporate receivables	-	-	918.155	-	2.973.644	-	15.183	-	-	3.906.982
7	Retail receivables	-	-	4.512	-	332	-	2.753.134	-	-	2.757.978
8	Mortgage receivables	-	-	-	-	-	7.403	-	-	-	7.403
9	Non performing receivables	-	-	-	-	32.479	-	-	-	-	32.479
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**922.667**	**-**	**3.006.455**	**7.403**	**2.773.783**	**-**	**-**	**6.710.308**

Prior Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk[1]
1	Central goverments and central banks receivables	129.784	-	-	-	-	-	15.718	-	-	145.502
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	2	-	-	-	-	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.941.369	-	5.330.958	-	257.770	-	-	7.530.097
6	Corporate receivables	-	-	3.709	-	342	-	1.342.877	-	-	1.346.928
7	Retail receivables	-	-	-	-	-	8.413	-	-	-	8.413
8	Mortgage receivables	-	-	-	42	55.536	-	-	-	-	55.578
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**129.784**	**-**	**1.945.080**	**42**	**5.386.836**	**8.413**	**1.616.365**	**-**	**-**	**9.086.520**

(1) Counterparty credit risk is not included in the table.

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

3.4.5 Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Current Period	**Collaterals Taken**		**Collaterals Given**		**Collaterals Taken**	**Collaterals Given**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash-domestic currency	-	243	-	-	1.225.346	-
2	Cash-foreign currency	-	4.082	-	-	-	-
3	Domestic sovereign debts	-	-	-	-	-	1.340.700
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	17.944	-	-	-	-
	Total	**-**	**22.269**	**-**	**-**	**1.225.346**	**1.340.700**

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Prior Period	**Collaterals Taken**		**Collaterals Given**		**Current Period**	**Collaterals Taken**
		Segregated	**Unsegregated**		**Segregated**	**Unsegregated**	
1	Cash-domestic currency	-	816	-	-	8.789.091	-
2	Cash-foreign currency	-	4.606	-	-	176.479	-
3	Domestic sovereign debts	-	-	-	-	-	9.186.624
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	8.555	-	-	-	-
	Total	**-**	**13.977**	**-**	**-**	**8.965.570**	**9.186.624**

3.4.6 Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	**Protection Sold**	**Protection Bought**	**Protection Sold**
Nominal				
Single-name credit default swaps	-	-	157.000	-
Index credit default swaps	-	-	-	-
Total return swaps	-	8.115.956	-	4.618.063
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**8.115.956**	**157.000**	**4.618.063**
Rediscount Amount	**-**	**(346.698)**	**1.358**	**92.985**
Positive Rediscount Amount	-	10.579	1.358	92.985
Negative Rediscount Amount	-	(357.277)	-	-

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

3.4.7 Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	**RWA**	**Exposure at default (post-CRM)**	**RWA**
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**178.931**		**103.615**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	357.402	178.931	207.221	103.615
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		-		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1 Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank’s risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank’s interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

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

3.6.2 Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
	Outright products		
1	Interest rate risk (general and specific)	1.200.683	1.322.238
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	795.082	289.176
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	41.275	223.684
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**2.037.040**	**1.835.098**

3.7 Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2017, 2016 and 2015 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29111 dated September 06, 2014, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2018, the total amount subject to operational risk is TL 19.297.169 (December 31, 2017 - TL 16.594.098) and the amount of the related capital requirement is TL 1.543.773 (December 31, 2017 - TL 1.327.528).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for	Rate (%)	Total
Gross Income	8.627.223	10.624.908	11.623.339	10.291.823	15,00%	1.543.773
Amount subject to operational risk (Total*12,5)						**19.297.169**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for	Rate (%)	Total
Gross Income	7.298.425	8.627.222	10.624.908	8.850.185	15,00%	1.327.528
Amount subject to operational risk (Total*12,5)						**16.594.098**

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

3.8 Banking book interest rate risk

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price İndex bonds model and early payment model in some consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2018, based on the significant currencies of the Bank.

		Current Period		**Prior Period**	
Currency	**Applied shock (+/- x basis points)**	**Gains/Losses**	**Gains/SE-Losses/SE**	**Gains/Losses**	**Gains/SE-Losses/SE**
TRY	(+)500 bp	(2.066.411)	(4,59)%	(3.185.735)	(8,80) %
TRY	(-)400 bp	1.918.554	4,26%	3.039.566	8,40%
EUR	(+)200 bp	(97.759)	(0,22) %	(38.967)	(0,11) %
EUR	(-)200 bp	110.571	0,25%	(1.774)	0,00%
USD	(+)200 bp	172.203	(0,38) %	(14.025)	(0,04) %
USD	(-)200 bp	7.013	0,02%	177.156	0,49%
Total (For negative shocks)		**2.036.137**	**4,52%**	**3.214.948**	**8,88%**
Total (For positive shocks)		**(1.991.967)**	**(4,43) %**	**(3.238.727)**	**(8,95) %**

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

4. Explanations on currency risk

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

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

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

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

(Exchange rates presented as full TL)	**USD**	**EUR**
Balance sheet evaluation rate:	**5,2609**	**6,0280**
First day current bid rate	5,2889	6,0245
Second day current bid rate	5,2832	6,0185
Third day current bid rate	5,3034	6,0419
Fourth day current bid rate	5,2926	6,0291
Fifth day current bid rate	5,2746	6,0342
Arithmetic average of the last 31 days:	**5,2970**	**6,0303**
Balance sheet evaluation rate as of prior period:	**3,7719**	**4,5155**

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

Information related to financial position of the Bank

Current Period	EUR	USD	OTHER FC[4]	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	20.989.498	13.442.735	4.326.369	38.758.602
Banks	771.735	807.090	80.162	1.658.987
Financial assets at fair value through profit or loss	7.536	213.642	-	221.178
Money market placements	12.056	-	-	12.056
Available-for-sale financial assets	907.904	2.584.899	399.577	3.892.380
Loans [1]	40.789.875	51.050.131	1.332.004	93.172.010
Investments in associates, subsidiaries and joint ventures	2.593.642	267.280	784.140	3.645.062
Held-to-maturity investments	310.463	8.430.952	-	8.741.415
Hedging derivative financial assets	19.573	280.160	-	299.733
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets[2]	2.811.384	3.381.847	500.903	6.694.134
Total assets	**69.213.666**	**80.458.736**	**7.423.155**	**157.095.557**
Liabilities				
Bank deposits	853.496	3.007.378	56.376	3.917.250
Foreign currency deposits	37.014.730	65.756.242	3.078.896	105.849.868
Funds from money market	813.646	401.800	-	1.215.446
Funds borrowed from other financial institutions	20.246.324	16.795.233	36.090	37.077.647
Marketable securities issued	91.062	13.550.720	64.348	13.706.130
Miscellaneous payables	2.342.541	358.611	31.660	2.732.812
Hedging derivative financial liabilities	38.791	29.720	-	68.511
Other liabilities[3]	487.208	22.275.777	4.718	22.767.703
Total liabilities	**61.887.798**	**122.175.481**	**3.272.088**	**187.335.367**
Net on-balance sheet position	**7.325.868**	**(41.716.745)**	**4.151.067**	**(30.239.810)**
Net off-balance sheet position[5]	**(7.177.243)**	**40.728.929**	**(3.023.854)**	**30.527.832**
Financial derivative assets	12.305.916	65.659.836	1.863.964	79.829.716
Financial derivative liabilities	19.483.159	24.930.907	4.887.818	49.301.884
Net Position	**148.625**	**(987.816)**	**1.127.213**	**288.022**
Non-cash loans	**29.626.544**	**25.789.992**	**4.436.429**	**59.852.965**
Prior Period				
Total assets	50.456.810	70.818.545	7.023.521	128.298.876
Total liabilities	49.384.583	102.801.002	2.731.060	154.916.645
Net on-balance sheet position	**1.072.227**	**(31.982.457)**	**4.292.461**	**(26.617.769)**
Net off-balance sheet position	**(907.085)**	**32.203.529**	**(3.788.065)**	**27.508.379**
Financial derivative assets	13.052.031	90.234.094	2.852.275	106.138.400
Financial derivative liabilities	13.959.116	58.030.565	6.640.340	78.630.021
Net Position	**165.142**	**221.072**	**504.396**	**890.610**
Non-cash loans	**22.796.277**	**24.961.599**	**3.913.204**	**51.671.080**

(1) Includes FX indexed loans amounting to TL 4.356.033 (December 31, 2017 – TL 5.895.865) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 289.322 (December 31, 2017 - TL 174.642).
(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.
(4) Other FC column includes also gold balance.
(5) Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank’s stress test scenarios.

	Current Period	**Prior Period**
Change in currency exchange rates	**Profit/loss effect [1]**	**Profit/loss effect [1]**
(+) 15%	(154.786)	(78.072)
(-) 15%	154.786	78.072

(1) Excluding tax effect.

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

5. Explanations on interest rate risk

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

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

The Bank utilizes TL/foreign currency and TL/TL interest rate 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.

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.903.271	-	-	-	-	28.611.623	55.514.894
Banks	72.597	334.791	320.648	-	-	950.248	1.678.284
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	173.088	241.431
Receivables from money markets	12.056	84.708	20.205	-	-	-	116.969
Financial assets at fair value through other comprehensive income	2.999.967	5.343.549	8.526.942	6.659.334	3.175.156	10.617	26.715.565
Loans	36.667.095	31.771.753	71.788.308	62.358.889	10.064.900	(1.312.795)	211.338.150
Financial assets measured at amortised cost	4.328.097	2.469.932	2.236.900	2.938.946	9.701.291	-	21.675.166
Other assets	1.018.686	2.468.015	1.743.980	3.275.427	454.012	21.803.012	30.763.132
Total assets	**72.001.769**	**42.472.753**	**84.637.920**	**75.247.340**	**23.448.016**	**50.235.793**	**348.043.591**
Liabilities							
Bank deposits	8.642.037	4.154	6.267	-	-	1.085.962	9.738.420
Other deposits	115.559.033	35.590.995	8.969.594	108.694	-	32.582.400	192.810.716
Funds from money market	329.979	271.280	944.362	-	-	-	1.545.621
Miscellaneous payables	-	-	-	-	-	14.305.691	14.305.691
Marketable securities issued	385.241	602.460	2.982.525	9.870.672	2.544.114	-	16.385.012
Funds borrowed from other financial institutions	8.427.274	23.637.947	3.970.517	653.212	660.388	-	37.349.338
Other liabilities	1.708.681	17.378.150	7.180.142	1.932.994	604.114	47.104.712	75.908.793
Total liabilities	**135.052.245**	**77.484.986**	**24.053.407**	**12.565.572**	**3.808.616**	**95.078.765**	**348.043.591**
Balance sheet long position	**-**	**-**	**60.584.513**	**62.681.768**	**19.639.400**	**-**	**142.905.681**
Balance sheet short position	**(63.050.476)**	**(35.012.233)**	**-**	**-**	**-**	**(44.842.972)**	**(142.905.681)**
Off-balance sheet long position	13.214.753	31.877.973	-	-	-	-	45.092.726
Off-balance sheet short position	-	-	(3.718.292)	(33.981.986)	(7.726.791)	-	(45.427.069)
Total position	**(49.835.723)**	**(3.134.260)**	**56.866.221**	**28.699.782**	**11.912.609**	**(44.842.972)**	**(334.343)**

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

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.194.176	-	-	-	-	17.779.403	41.973.579
Banks	1.246.963	240.327	-	67.751	-	1.165.586	2.720.627
Financial assets at fair value through profit/loss	1.259.401	1.421.297	714.211	456.707	266.582	-	4.118.198
Money market placements	816.887	-	-	-	-	-	816.887
Available-for-sale financial assets	2.846.067	4.491.442	6.541.944	7.157.347	3.071.939	198.921	24.307.660
Loans	33.781.088	28.000.961	63.134.557	57.200.378	10.765.592	2.077.867	194.960.443
Held-to-maturity investments	1.162.846	1.485.657	2.266.839	680.911	7.434.658	-	13.030.911
Other assets	-	566.572	13.348	974.251	134.224	14.193.620	15.882.015
Total assets	**65.307.428**	**36.206.256**	**72.670.899**	**66.537.345**	**21.672.995**	**35.415.397**	**297.810.320**
Liabilities							
Bank deposits	7.202.627	17.816	-	-	-	1.039.061	8.259.504
Other deposits	99.729.476	23.678.121	8.193.377	39.357	-	29.447.382	161.087.713
Funds from money market	12.758.947	41.204	-	-	-	-	12.800.151
Miscellaneous payables	-	-	-	-	-	12.154.312	12.154.312
Marketable securities issued	468.002	631.107	2.199.394	7.259.556	1.934.783	-	12.492.842
Funds borrowed from other financial institutions	9.366.029	17.934.640	10.316.973	649.814	862.603	-	39.130.059
Other liabilities(1)	1.222.366	844.806	976.189	4.694.564	6.131.340	38.016.474	51.885.739
Total liabilities	**130.747.447**	**43.147.694**	**21.685.933**	**12.643.291**	**8.928.726**	**80.657.229**	**297.810.320**
Balance sheet long position	**-**	**-**	**50.984.966**	**53.894.054**	**12.744.269**	**-**	**117.623.289**
Balance sheet short position	**(65.440.019)**	**(6.941.438)**	**-**	**-**	**-**	**(45.241.832)**	**(117.623.289)**
Off-balance sheet long position	12.028.098	23.123.155	-	-	-	-	35.151.253
Off-balance sheet short position	-	-	(2.415.433)	(27.301.056)	(7.175.587)	-	(36.892.076)
Total position	**(53.411.921)**	**16.181.717**	**48.569.533**	**26.592.998**	**5.568.682**	**(45.241.832)**	**(1.740.823)**

(1) Shareholders' equity is presented under "Non interest bearing"

5.2. Average interest rates for monetary financial instruments:

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	2,00	-	17,58
Banks	1,51	-	-	23,90
Financial assets at fair value through profit or loss	4,13	6,18	-	13,49
Receivables from money markets	0,01	-	-	27,00
Financial assets at fair value through other comprehensive income	4,10	5,46	-	18,61
Loans	4,94	7,55	5,15	19,26
Financial assets measured at amortised cost	5,25	5,44	-	18,23
Liabilities(1)				
Bank deposits	0,95	2,50	-	24,46
Other deposits	2,00	4,41	1,85	22,13
Funds from money market	0,10	4,46	-	22,79
Miscellaneous payables	-	-	-	-
Marketable securities issued	3,66	5,38	-	19,19
Funds borrowed from other financial institutions	1,74	4,36	2,64	12,90

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

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	9,98
Banks	1,49	1,40	-	14,72
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,02
Available-for-sale financial assets	4,04	5,32	-	13,04
Loans	4,40	6,49	4,98	14,13
Held-to-maturity investments	5,20	5,43	-	13,36
Liabilities(1)				
Bank deposits	0,90	1,50	-	13,00
Other deposits	1,62	3,46	1,66	13,42
Funds from money market	-	-	-	12,70
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,02	5,22	-	13,44
Funds borrowed from other financial institutions	1,23	3,07	2,64	8,02

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

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

None.

7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

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

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

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

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

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

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

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

Funding sources of the Bank mainly consist of deposits which constitute 58% of total liabilities of the Bank (31 December 2017 – 57%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

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

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

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

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

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

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

	Unweighted Amounts		Weighted Amounts	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.392.428	44.593.256
Cash Outflows				
Retail and Small Business Customers Deposits	111.945.349	51.036.896	10.038.207	5.103.632
Stable deposits	23.126.545	1.158	1.156.327	58
Less stable deposits	88.818.804	51.035.738	8.881.880	5.103.574
Unsecured Funding other than Retail and Small Business Customers Deposits	87.039.745	54.837.819	46.957.486	27.383.101
Operational deposits	-	-	-	-
Non-Operational deposits	70.857.568	49.033.183	33.530.965	21.579.694
Other Unsecured funding	16.182.177	5.804.636	13.426.521	5.803.407
Secured funding	-	-	485	-
Other Cash Outflows	9.071.742	16.537.600	9.071.742	16.537.600
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.071.742	16.537.600	9.071.742	16.537.600
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	95.720.421	67.936.019	4.786.021	3.396.801
Other irrevocable or conditionally revocable commitments	73.902.568	16.619.971	5.624.618	1.125.834
Total Cash Outflows			**76.478.559**	**53.546.968**
Cash Inflows				
Secured Lending Transactions	-	-	330	-
Unsecured Lending Transactions	29.409.456	13.804.088	21.351.503	12.485.019
Other contractual cash inflows	1.737.760	18.247.273	1.737.760	18.247.273
Total Cash Inflows	**31.147.216**	**32.051.361**	**23.089.593**	**30.732.292**
			Capped Amounts	
Total High Quality Liquid Assets			**72.392.428**	**44.593.256**
Total Net Cash Outflows			**53.388.966**	**22.814.676**
Liquidity Coverage Ratio (%)			**135,59**	**195,46**

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

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

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2017.

	Unweighted Amounts		**Weighted Amounts**	
Prior Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			51.481.229	31.329.721
Cash Outflows				
Retail and Small Business Customers Deposits	85.645.904	35.495.655	7.563.443	3.549.530
Stable deposits	20.022.939	708	1.001.147	35
Less stable deposits	65.622.965	35.494.947	6.562.296	3.549.495
Unsecured Funding other than Retail and Small Business Customers Deposits	66.743.363	37.634.514	37.405.369	20.070.624
Operational deposits	-	-	-	-
Non-Operational deposits	53.210.891	33.275.753	26.373.923	15.722.445
Other Unsecured funding	13.532.472	4.358.761	11.031.446	4.348.179
Secured funding			-	-
Other Cash Outflows	9.482.332	19.329.414	9.482.332	19.329.414
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.482.332	19.329.414	9.482.332	19.329.414
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	90.331.141	62.961.908	4.516.557	3.148.095
Other irrevocable or conditionally revocable commitments	67.614.850	12.504.154	4.805.564	749.342
Total Cash Outflows			**63.773.265**	**46.847.005**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.116.243	6.273.377	12.554.174	4.985.480
Other Contractual Cash Inflows	8.420.498	26.546.284	8.420.498	26.546.284
Total Cash Inflows	**28.536.741**	**32.819.661**	**20.974.672**	**31.531.764**
			Capped Amounts	
Total High Quality Liquid Assets			**51.481.229**	**31.329.721**
Total Net Cash Outflows			**42.798.593**	**15.315.241**
Liquidity Coverage Ratio (%)			**120,29**	**204,57**

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

Prior Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	October 6, 2017	October 13, 2017	November 24,2017	November 24,2017
Ratio(%)	132,30	112,17	296,53	133,98

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	34.636.657	20.878.237	-	-	-	-	-	55.514.894
Banks	950.248	72.597	334.791	320.648	-	-	-	1.678.284
Financial assets at fair value through profit or loss	2.566	-	5	937	14.744	52.657	170.522	241.431
Receivables from money markets	-	12.056	84.708	20.205	-	-	-	116.969
Financial assets at fair value through other comprehensive income	-	16.555	227.036	2.054.757	17.297.396	7.109.204	10.617	26.715.565
Loans (1)	-	36.860.283	21.787.169	52.224.372	81.488.595	20.290.526	(1.312.795)	211.338.150
Financial assets measured at amortised cost	-	-	-	-	6.276.484	15.398.682	-	21.675.166
Other assets	3.672.757	395.336	1.205.618	2.484.462	4.143.709	730.995	18.130.255	30.763.132
Total assets	**39.262.228**	**58.235.064**	**23.639.327**	**57.105.381**	**109.220.928**	**43.582.064**	**16.998.599**	**348.043.591**
Liabilities								
Bank deposits	1.085.962	8.642.037	4.154	6.267	-	-	-	9.738.420
Other deposits	32.582.400	115.559.033	35.590.995	8.969.594	108.694	-	-	192.810.716
Funds borrowed from other financial institutions	-	4.071.817	3.639.577	20.372.128	6.587.573	2.678.243	-	37.349.338
Funds from money market	-	329.979	271.280	944.362	-	-	-	1.545.621
Marketable securities issued	-	385.241	1.018.642	2.982.525	9.454.490	2.544.114	-	16.385.012
Miscellaneous payables	1.107.805	12.852.189	61.818	-	-	-	283.879	14.305.691
Other liabilities (2)	3.702.244	1.100.525	10.322.285	7.945.397	6.965.370	4.848.582	41.024.390	75.908.793
Total liabilities	**38.478.411**	**142.940.821**	**50.908.751**	**41.220.273**	**23.116.127**	**10.070.939**	**41.308.269**	**348.043.591**
Net liquidity gap	**783.817**	**(84.705.757)**	**(27.269.424)**	**15.885.108**	**86.104.801**	**33.511.125**	**(24.309.670)**	**-**
Net Off-Balance Sheet Position	**-**	**(981.348)**	**244.910**	**111.583**	**(381.692)**	**672.204**	**-**	**(334.343)**
Derivative Financial Assets	-	48.324.941	19.341.213	30.332.176	66.778.737	35.775.386	-	200.552.454
Derivative Financial Liabilities	-	49.306.289	19.096.303	30.220.593	67.160.429	35.103.182	-	200.886.797
Non-Cash Loans	**-**	**3.265.182**	**8.392.810**	**29.287.149**	**13.692.780**	**6.209.335**	**25.427.495**	**86.274.751**
Prior Period								
Total assets	16.699.791	63.168.924	22.163.900	52.508.348	91.419.485	37.634.757	14.215.115	297.810.320
Total liabilities	33.238.508	132.878.762	28.859.087	32.029.742	22.519.974	13.349.528	34.934.719	297.810.320
Liquidity gap	**(16.538.717)**	**(69.709.838)**	**(6.695.187)**	**20.478.606**	**68.899.511**	**24.285.229**	**(20.719.604)**	**-**
Net Off-Balance Sheet Position	**-**	**(91.815)**	**(740.507)**	**(770.340)**	**249.869**	**(388.030)**	**-**	**(1.740.823)**
Derivative Financial Assets	-	53.385.664	39.650.304	38.686.324	52.499.421	22.384.070	-	206.605.783
Derivative Financial Liabilities	-	53.477.479	40.390.811	39.456.664	52.249.552	22.772.100	-	208.346.606
Non-Cash Loans	**-**	**2.594.272**	**8.348.073**	**27.938.436**	**11.349.020**	**4.504.619**	**23.431.874**	**78.166.294**

(1) Non-performing loans are presented in the “Unclassified” column after being offset against expected loss provisions.
(2) Shareholders’ equity is presented under the “Other liabilities” item in the “Unclassified” column.

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

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	159.114.829	36.578.806	9.723.659	123.417	-	205.540.711
Funds borrowed from other financial institutions	4.154.759	3.926.742	21.373.612	9.487.187	5.832.770	44.775.070
Funds from money market	330.148	271.521	964.923	-	-	1.566.592
Subordinated loans	-	204.319	622.570	13.598.201	3.189.421	17.614.511
Marketable securities issued (net)	391.220	1.045.085	2.986.468	10.289.364	2.695.102	17.407.239
Total	**163.990.956**	**42.026.473**	**35.671.232**	**33.498.169**	**11.717.293**	**286.904.123**

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	138.153.465	24.051.111	8.470.011	41.818	-	170.716.405
Funds borrowed from other financial institutions	901.936	3.217.213	21.049.191	11.411.810	7.275.764	43.855.914
Funds from money market	12.771.239	41.343	-	-	-	12.812.582
Subordinated loans	-	141.647	446.133	6.090.660	6.524.937	13.203.377
Marketable securities issued	508.334	697.170	2.761.533	8.764.862	2.110.435	14.842.334
Total	**152.334.974**	**28.148.484**	**32.726.868**	**26.309.150**	**15.911.136**	**255.430.612**

(1) Maturities of non-cash loans are described in Note 3(III) of Section V.

8. Explanations on leverage ratio:

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

	Current Period[1]	Prior Period[1]
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	348.159.962	281.399.763
(Asset amounts deducted in determining Tier 1 capital)	(5.381.813)	(3.325.087)
Total on-Balance sheet exposures	342.778.149	278.074.676
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	2.590.381	2.371.448
Potential credit risk of derivative financial instruments and credit derivatives	5.020.774	3.972.353
Total derivative financial instruments and credit derivatives exposure	7.611.155	6.343.801
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	470.170	211.588
Agent transaction exposures	-	-
Total securities financing transaction exposures	470.170	211.588
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	194.678.927	241.703.171
(Adjustments for conversion to credit equivalent amounts)	(15.539.409)	(27.339.751)
Total risk of off-balance sheet items	179.139.518	214.363.420
Capital and total exposure		
Tier 1 capital	34.624.399	26.772.740
Total exposures	529.998.992	498.993.485
Leverage ratio (%)	**6,55**	**5,37**

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

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

9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book value	**Fair value**
	Current Period	**Current Period**
Financial Assets	**261.524.134**	**269.073.691**
Due from money market	116.969	116.969
Banks	1.678.284	1.676.454
Financial assets at fair value through other comprehensive income	26.715.565	26.715.565
Financial assets measured at amortised cost	21.675.166	26.488.029
Loans	211.338.150	214.076.674
Financial Liabilities	**284.146.330**	**283.584.793**
Bank deposits	9.738.420	9.738.608
Other deposits	192.810.716	192.769.144
Funds borrowed from other financial institutions	37.349.338	36.868.032
Subordinated loans	13.557.153	13.596.916
Marketable securities issued	16.385.012	16.306.402
Miscellaneous payables	14.305.691	14.305.691

	Book value	**Fair value**
	Prior Period	**Prior Period**
Financial Assets	**235.836.528**	**242.120.085**
Due from money market	816.887	816.887
Banks	2.720.627	2.722.191
Available-for-sale financial assets	24.307.660	24.307.660
Held-to-maturity investments	13.030.911	12.935.909
Loans	194.960.443	201.337.438
Financial Liabilities	**242.843.234**	**242.706.123**
Bank deposits	8.259.504	8.260.432
Other deposits	161.087.713	161.214.326
Funds borrowed from other financial institutions	39.130.059	38.709.160
Subordinated loans	9.718.804	9.821.399
Marketable securities issued	12.492.842	12.546.494
Miscellaneous payables	12.154.312	12.154.312

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets where fair value change is reflected to income statement	70.909	170.522	-	241.431
Financial assets where fair value change is reflected to other comprehensive income statement	24.847.794	1.859.492	-	26.707.286
Derivative financial assets	-	8.960.120	-	8.960.120
Total assets	**24.918.703**	**10.990.134**	**-**	**35.908.837**
Financial liabilities at fair value through profit or loss	-	7.965.404	-	7.965.404
Derivative financial liabilities	-	7.281.305	-	7.281.305
Total liabilities	**-**	**15.246.709**	**-**	**15.246.709**

Prior Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or (loss)	**56.980**	**4.061.218**	**-**	**4.118.198**
Government debt securities	56.980	-	-	56.980
Share certificates	-	4.061.218	-	4.061.218
Trading derivative financial assets	**22.484.816**	**1.815.229**	**-**	**24.300.045**
Other marketable securities	22.389.973	-	-	22.389.973
Available-for-sale financial assets	94.843	1.815.229	-	1.910.072
Government debt securities	**-**	**1.688.395**	**-**	**1.688.395**
Total assets	**22.541.796**	**7.564.842**	**-**	**30.106.638**
Trading derivative financial liabilities	-	3.837.904	-	3.837.904
Hedging derivative financial liabilities	-	312.426	-	312.426
Information on borrowings [2]	-	4.929.709		4.929.709
Total liabilities	**-**	**9.080.039**	**-**	**9.080.039**

(1) Non-listed share certificates amounting of TL 8.279 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2017 – TL 7.615)
(2) Includes some 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 Financial Instruments.

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of December 31, 2018: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is 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 ".

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

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2018 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 interest rate swap (CFH)	46.404.018	3.169.086	611.406	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	1.860.610	-	313.994	1.393.760	-	204.859
Total	**48.264.628**	**3.169.086**	**925.400**	**36.463.812**	**1.688.395**	**312.426**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 48.175.851 (December 31, 2017 – TL 36.729.813) the total notional of derivative financial assets amounting to TL 96.440.479 (December 31, 2017 – TL 73.193.625) 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 the accounting principles section of these financial statements in Section 3, Part 4.

10.1. Fair value hedge accounting:

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

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item[(1)]**	**Net fair value of the hedging instrument[(2)]**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[(3)]**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	20.740

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	23.425	-	204.859	19.091

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
(3) The ineffective portion of the mentioned hedging transaction is TL 31.652 gain (December 31, 2017- TL TL 1.439 loss).

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

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

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

10.2. Cash flow hedge accounting:

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

The impact of application of CFH accounting is summarized below:

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

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds(1)**	**Net gain/(loss) reclassified to equity(2)(3)**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

(1) Includes deferred tax impact.
(2) Includes tax and foreign exchange differences.
(3) The ineffective portion of the mentioned hedging transaction is TL 41.508 income (December 31, 2017 – TL 6.987 income).

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

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

10.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2018 is EUR 430 million (December 31, 2017 is EUR 410 million).

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

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

12. Explanations on operating segments:

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

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, SME banking, individual banking and 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, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. 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. The Bank also offers debit card and a prepaid card named World Hediye Card. 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, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) 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 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 Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

(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**	**Treasury, asset-liability management and other**	**Total operations of the Bank**
Operating revenue	8.141.407	6.573.989	3.806.771	18.522.167
Operating expenses	(5.278.402)	(5.225.362)	(2.944.742)	(13.448.506)
Net operating income / (expense)	**2.863.005**	**1.348.627**	**862.029**	**5.073.661**
Dividend income(1)	-	-	6.326	6.326
Income/(loss) from investments accounted based on equity method(1)	-	-	775.504	775.504
Profit before tax	**2.863.005**	**1.348.627**	**1.643.859**	**5.855.491**
Tax provision expense(1)	-	-	(1.188.065)	(1.188.065)
Net period income	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Net profit	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Segment asset	80.911.357	125.801.320	134.540.954	341.253.631
Investments in associates, subsidiaries and joint ventures	-	-	6.789.960	6.789.960
Total assets	**80.911.357**	**125.801.320**	**141.330.914**	**348.043.591**
Segment liabilities	172.116.780	76.729.909	60.193.403	309.040.092
Shareholders' equity	-	-	39.003.499	39.003.499
Total liabilities	**172.116.780**	**76.729.909**	**99.196.902**	**348.043.591**

Prior Period	**Retail banking**	**Corporate and commercial banking**	**Treasury, asset-liability management and other**	**Total operations of the Bank**
Operating revenue	4.579.996	3.191.097	4.899.383	12.670.476
Operating expenses	(4.482.210)	(1.105.333)	(3.186.610)	(8.774.153)
Net operating income / (expense)	**97.786**	**2.085.764**	**1.712.773**	**3.896.323**
Dividend income(1)	-	-	2.273	2.273
Income/(loss) from investments accounted based on equity method(1)	-	-	574.818	574.818
Profit before tax	**97.786**	**2.085.764**	**2.289.864**	**4.473.414**
Tax provision expense(1)	-	-	(859.333)	(859.333)
Net period income	**97.786**	**2.085.764**	**1.430.531**	**3.614.081**
Net profit	**97.786**	**2.085.764**	**1.430.531**	**3.614.081**
Segment asset	79.970.978	102.108.817	110.370.888	292.450.683
Investments in associates, subsidiaries and joint ventures	-	-	5.359.637	5.359.637
Total assets	**79.970.978**	**102.108.817**	**115.730.525**	**297.810.320**
Segment liabilities	74.240.206	61.810.968	131.661.219	267.712.393
Shareholders' equity	-	-	30.097.927	30.097.927
Total liabilities	**74.240.206**	**61.810.968**	**161.759.146**	**297.810.320**

(1) Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

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

Section Five - Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

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

1.1.1 Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash	1.443.281	3.340.678	1.563.328	932.541
The CBRT[(1)]	15.313.011	35.417.868	6.032.373	33.445.287
Other	-	56	-	50
Total	**16.756.292**	**38.758.602**	**7.595.701**	**34.377.878**

(1) The balance of gold amounting to TL 4.233.215 is accounted for under the Central Bank foreign currency account (December 31, 2017 -TL 4.948.751).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Demand unrestricted amount [(1)]	8.416.404	21.436.238	1.914.852	8.868.143
Time unrestricted amount	6.896.607	-	4.117.521	-
Time restricted amount	-	-	-	745.058
Reserve requirement[(2)]	-	13.981.630	-	23.832.086
Total	**15.313.011**	**35.417.868**	**6.032.373**	**33.445.287**

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.
(2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

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

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2017 - 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	941.170	-	398.670	-
Swap transactions	3.904.322	641.773	3.051.849	415.703
Futures transactions	-	-	-	-
Options	256.107	47.662	137.137	57.859
Other	-	-	-	-
Total	**5.101.599**	**689.435**	**3.587.656**	**473.562**

(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)	-	-	-	-
Cash flow hedges (1)	2.869.353	299.733	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.869.353**	**299.733**	**1.520.914**	**167.481**

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	13.311	-	658	-
Foreign	5.986	1.658.987	13.517	2.706.452
Head quarters and branches abroad	-	-	-	-
Total	**19.297**	**1.658.987**	**14.175**	**2.706.452**

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	814.260	1.253.651	-	-
USA, Canada	572.018	1.160.690	242.192	240.327
OECD countries (1)	18.444	32.051	-	-
Off-shore banking regions	196	355	-	-
Other	17.863	32.895	-	-
Total	**1.422.781**	**2.479.642**	**242.192**	**240.327**

(1) OECD countries except EU countries, USA and Canada.

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

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

Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2017 available-for-sale financial assets given as collateral/blocked amounts to TL 4.502.947 and subject to repo transactions amounts to TL 6.937.612.

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

	Current Period
Debt securities	27.758.411
Quoted on stock exchange (1)	27.495.268
Not quoted	263.143
Share certificates	55.935
Quoted on stock exchange	-
Not quoted	55.935
Impairment provision (-) (2)	1.098.781
Total	**26.715.565**

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

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

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

Information on available-for-sale financial assets:

	December 31, 2017
Debt securities	24.341.481
Quoted on stock exchange	23.894.244
Not quoted	447.237
Share certificates	149.396
Quoted on stock exchange	-
Not quoted	149.396
Impairment provision (-)[1]	278.060
Other [2]	94.843
Total	**24.307.660**

(1) Includes the negative differences between the acquisition cost and the market price and the impairment provisions, if any, related to the securities portfolio.
(2) Other available-for-sale financial assets consist of investment funds.

1.7. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**90.240**	**1.351.956**	**23.229**	**1.358.830**
Loans granted to employees	**170.708**	**52**	**156.855**	**101**
Total	**260.948**	**1.352.008**	**180.084**	**1.358.931**

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	**180.049.869**	**27.998.313**	**1.954.931**	**2.552.495**
Loans given to enterprises	87.335.224	23.013.463	1.719.198	439.522
Export loans	9.302.402	493.536	56.757	21.203
Import loans	-	-	-	-
Loans given to financial sector	3.853.240	-	-	-
Consumer loans	30.591.808	1.324.026	17.800	597.628
Credit cards	26.266.314	1.179.211	-	497.668
Other[1]	22.700.881	1.988.077	161.176	996.474
Specialized loans	-	-	-	-
Other receivables	**95.337**	-	-	-
Total	**180.145.206**	**27.998.313**	**1.954.931**	**2.552.495**

(1) Fair value differences of the hedged item amounting to TL 27.214 income are classified in other loans as explained in Note 8, Section 4.

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

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.229.290	-
Significant increase in credit risk	-	3.609.060
Total	**1.229.290**	**3.609.060**

Number of modifications made to extend payment plan	Standard loans	Loans under close monitoring
Extended by 1 or 2 times	-	4.286.517
Extended by 3,4 or 5 times	-	215.923
Extended by more than 5 times	-	4.986
Total	-	**4.507.426**

Extended period of time	Standard loans	Loans under close monitoring
0 - 6 Months	-	301.761
6 - 12 Months	-	561.424
1 - 2 Years	-	778.281
2 - 5 Years	-	2.016.695
5 Years and over	-	849.265
Total	-	**4.507.426**

1.7.3. Loans according to their maturity structure:

		Loans under close monitoring	
	Standard loans	Not under the scope of restructuring	Agreement conditions modified
Short-term loans	56.241.647	3.196.161	340.290
Medium and long-term loans	123.903.559	24.802.152	4.167.136
Total	**180.145.206**	**27.998.313**	**4.507.426**

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	123.287.084	30.591.808	26.266.314	180.145.206
Watch list	28.889.406	1.939.454	1.676.879	32.505.739
Loans under legal follow-up	9.963.706	1.273.958	1.142.193	12.379.857
Specific provisions (-)	7.444.315	824.294	585.693	8.854.302
Total	**154.695.881**	**32.980.926**	**28.499.693**	**216.176.500**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	129.974.694	33.509.955	23.944.874	187.429.523
Watch list	4.146.993	951.416	354.644	5.453.053
Loans under legal follow-up	5.799.005	1.791.340	1.434.052	9.024.397
Specific provisions (-)	4.322.326	1.433.027	1.191.177	6.946.530
Total	**135.598.366**	**34.819.684**	**24.542.393**	**194.960.443**

1.7.4.2. Specific provisions provided against loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**4.322.326**	**1.433.027**	**1.191.177**	**6.946.530**
IFRS 9 remeasurement	813.911	71.593	23.546	909.050
Opening balance	5.136.237	1.504.620	1.214.723	7.855.580
Impairment	4.814.987	1.044.121	510.506	6.369.614
Collections (-)	1.516.799	812.876	535.385	2.865.060
Write-off (-)	990.110	911.571	604.151	2.505.832
December 31	**7.444.315**	**824.294**	**585.693**	**8.854.302**

PriorPeriod	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**4.575.975**	**1.777.377**	**1.386.761**	**7.740.113**
Impairment	322.994	670.504	507.460	1.500.958
Collections (-)	302.314	241.489	123.732)	667.535
Write-off (-)	274.329	773.365	579.312	1.627.006
December 31	**4.322.326**	**1.433.027**	**1.191.177**	**6.946.530**

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

1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	18.438.885	295.741	-	18.734.626
Loans under legal follow-up	3.953.041	66.320	-	4.019.361
Total	**22.391.926**	**362.061**	**-**	**22.753.987**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	7.203.790	914.121	-	8.117.911
Loans under legal follow-up	1.447.509	56.524	-	1.504.033
Total	**8.651.299**	**970.645**	**-**	**9.621.944**

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	**473.087**	**29.981.289**	**30.454.376**
Real estate loans	4.669	12.422.683	12.427.352
Automotive loans	32.050	498.082	530.132
Consumer loans	436.368	17.060.524	17.496.892
Consumer loans-FC indexed	**-**	**17.343**	**17.343**
Real estate loans	-	17.228	17.228
Automotive loans	-	-	-
Consumer loans	-	115	115
Individual credit cards-TL	**18.709.708**	**696.650**	**19.406.358**
With installments	9.268.992	306.266	9.575.258
Without installments	9.440.716	390.384	9.831.100
Individual credit cards-FC	**18.554**	**-**	**18.554**
With installments	-	-	-
Without installments	18.554	-	18.554
Personnel loans-TL	**5.521**	**55.009**	**60.530**
Real estate loans	-	2.189	2.189
Automotive loans	42	254	296
Consumer loans	5.479	52.566	58.045
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	**106.042**	**324**	**106.366**
With installments	49.791	269	50.060
Without installments	56.251	55	56.306
Personnel credit cards-FC	**320**	**-**	**320**
With installments	-	-	-
Without installments	320	-	320
Credit deposit account-TL (real person)[1]	**1.999.013**	**-**	**1.999.013**
Total	**21.312.245**	**30.750.615**	**52.062.860**

(1) TL 3.492 of the credit deposit account belongs to the loans used by personnel.

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

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

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	**1.177.414**	**13.597.991**	**14.775.405**
Business loans	2.142	1.477.184	1.479.326
Automotive loans	90.743	827.280	918.023
Consumer loans	1.084.529	11.293.527	12.378.056
Commercial installments loans-FC indexed	**1.768**	**147.211**	**148.979**
Business loans	-	9.071	9.071
Automotive loans	-	34.429	34.429
Consumer loans	1.768	103.711	105.479
Corporate credit cards-TL	**8.406.137**	**4.336**	**8.410.473**
With installment	4.784.244	786	4.785.030
Without installment	3.621.893	3.550	3.625.443
Corporate credit cards-FC	**1.122**	**-**	**1.122**
With installment	-	-	-
Without installment	1.122	-	1.122
Credit deposit account-TL (legal person)	**1.269.065**	**-**	**1.269.065**
Total	**10.855.506**	**13.749.538**	**24.605.044**

1.7.7. Distribution of by users:

	Current Period	Prior Period
Public	1.959.146	1.781.807
Private	210.691.799	191.100.769
Total	**212.650.945**	**192.882.576**

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	209.869.373	190.963.726
Foreign loans	2.781.572	1.918.850
Total	**212.650.945**	**192.882.576**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	501.490	213.845
Indirect loans granted to associates and subsidiaries	-	-
Total	**501.490**	**213.845**

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

	Current Period
Loans with limited collectibility	1.131.764
Loans with doubtful collectibility	1.680.918
Uncollectible loans	6.041.620
Total	**8.854.302**

Specific provisions provided against loans:

	Prior Period
Loans and other receivables with limited collectibility	120.681
Loans and other receivables with doubtful collectibility	559.397
Uncollectible loans and other receivables	6.266.452
Total	**6.946.530**

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

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

1.7.11.1 Information on restructured loans from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Gross amounts before specific reserves	**631.516**	**626.207**	**884.188**
Restructured loans	631.516	626.207	884.188
Prior Period			
Gross amounts before specific reserves	**10.849**	**55.493**	**150.698**
Restructured loans	10.849	55.493	150.698

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period(1)	**876.218**	**1.539.899**	**6.608.280**
Additions (+)	5.682.841	455.866	1.889.837
Transfers from other categories of non- performing loans (+)	-	3.482.955	2.526.246
Transfer to other categories of non- performing loans (-)	3.482.955	2.526.246	-
Collections (-)	331.424	281.633	1.554.195
Write-offs (-)(1)	-	-	490.939
Sold (-)	-	-	2.014.893
Corporate and commercial loans	-	-	499.171
Consumer loans	-	-	911.571
Credit cards	-	-	604.151
Other	-	-	-
Current Period	**2.744.680**	**2.670.841**	**6.964.336**
Specific provision (-)	1.131.764	1.680.918	6.041.620
Net balance on balance sheet	**1.612.916**	**989.923**	**922.716**

(1) As of 21 December 2018, TL 488.217 of the loan of Ojer Telekomünikasyon A.Ş. has been deleted from the assets.

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 2.014.893 to a selection of asset management companies for a total amount of TL 105.172.

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period			
Period end balance	1.303.707	1.299.579	737.008
Specific provision (-)	424.975	792.813	701.084
Net balance on-balance sheet	**878.732**	**506.766**	**35.924**
Prior Period			
Period end balance	53.326	47.776	710.921
Specific provision (-)	48.727	46.155	700.703
Net balance on-balance sheet	**4.599**	**1.621**	**10.218**

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period (net)	**1.612.916**	**989.923**	**922.716**
Loans granted to real persons and corporate entities (gross)	2.744.680	2.670.841	6.851.165
Provision amount (-)	1.131.764	1.680.918	5.928.449
Loans granted to real persons and corporate entities (net)	1.612.916	989.923	922.716
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans (Net)	-	-	-
Prior Period (net)	**755.537**	**980.502**	**341.828**
Loans granted to real persons and corporate entities (gross)	876.218	1.539.899	6.495.109
Specific provision amount (-)	120.681	559.397	6.153.281
Loans granted to real persons and corporate entities (Net)	755.537	980.502	341.828
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)	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	**Loans with doubtful collectibility**	**Uncollectible loans**
Current Period (net)	**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
Prior Period (net)			
Interest accruals and rediscounts and valuation differences	-	-	-
Provision amount (-)	-	-	-

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

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

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

1.7.13. Explanation on "Write-off" policies:

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

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

1.8. Information on financial assets at amortized cost:

1.8.1 Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2018 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 9.329.007 and subject to repo transactions amounting to TL 747.761.

Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

As of December 31, 2017 held-to-maturity investments given as collateral / blocked amounts to TL 7.390.042. The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.249.012.

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

	Current period
Government bond	21.675.166
Treasury bill	-
Other public sector debt securities	-
Total	**21.675.166**

Information on investment securities held-to-maturity:

	Prior period
Government bond	13.030.911
Treasury bill	-
Other debt securities	-
Total	**13.030.911**

1.8.3. Information on financial assets measured at amortized cost:

	Current period
Debt securities	22.316.207
Quoted on stock exchange	22.316.207
Not quoted	-
Impairment provision (-)(1)	641.041
Total	**21.675.166**

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

Information on held-to-maturity investments

	Prior period
Debt securities	13.408.710
Quoted on stock exchange	13.408.710
Not quoted	-
Impairment provision (-)(1)	377.799
Total	**13.030.911**

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

(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
Beginning balance	**13.030.911**
Foreign currency differences on monetary assets[(1)]	4.513.802
Purchases during the year	3.674.945
Transfers[(2)]	1.998.350
Disposals through sales and redemptions	1.279.600
Impairment provision (-)[(3)]	263.242
Period end balance	**21.675.166**

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

Movement of held-to-maturity investments within the period:

	Prior period
Beginning balance	**10.664.551**
Foreign currency differences on monetary assets[(1)]	680.963
Purchases during the year	2.796.166
Disposals through sales and redemptions	1.031.607
Impairment provision (-)[(2)]	79.162
Period end balance	**13.030.911**

(1) Also includes the changes in the interest income accruals.
(2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
Kredi Kayıt Bürosu[(1)]	Istanbul/Turkey	18,18	18,18
Bankalararası Kart Merkezi A.Ş.[(1)]	Istanbul/Turkey	9,98	9,98

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

Total assets	reholders' equity	al fixed assets	erest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
19.434.759	2.731.457	20.827	379.913	87.904	153.142	113.033	-
310.511	204.375	181.219	10.965	-	34.818	36.919	-
102.191	64.697	48.891	2.117	-	15.603	6.983	-

(1) Financial statement information disclosed above shows September 30, 2018 results.

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**533.887**	**441.646**
Movements during the period	**256.354**	**92.241**
Purchases	-	-
Free shares obtained profit from current year's share	1.598	-
Profit from current year's income	65.057	45.295
Sales(-)	-	-
Revaluation (decrease) / increase[(1)]	201.521	57.558
Impairment provision (-)[(2)]	11.822	10.612
Balance at the end of the period	**790.241**	**533.887**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	784.140	529.384
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	**784.140**	**529.384**

1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2017 - None).

1.10. Information on shareholders' equity of the significant subsidiaries (net):

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

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	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	93.423	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	44.291	(1.385)	(2.143)	(936)	-
Other accumulated comprehensive income that will be classified in profit or loss	39	-	-	-	1.310.466
Legal reserves	66.052	8.034	79.305	25.420	-
Extraordinary reserves	225.863	39.717	659.399	-	634.531
Other profit Reserves	-	-	-	-	-
Income or Loss	30.306	199.981	1.275.987	36.014	155.325
Current Year Income/Loss	100.252	98.223	331.168	36.014	155.325
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	29.014	3.353	8.769	609	675
Total core capital	**529.528**	**303.457**	**2.176.603**	**65.364**	**2.211.827**
Supplementary capital	**22.996**	**10.010**	**69.902**	**-**	**65.434**
Capital	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**

The above information is based on the consolidated financial statements of the Bank as of December 31, 2018.

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

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

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

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

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

1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Nederland	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

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

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income om marketable ırities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	233.177	232.935	-	-	-	153	(967)	-	-
2	3.452.901	558.892	49.951	260.716	10.135	100.252	87.434	-	-
3	3.412.806	307.061	4.068	422.082	-	98.223	43.004	-	-
4	13.169.905	2.185.372	9.872	938.651	-	331.168	244.241	-	-
5	80.364	66.205	1.026	9.019	-	36.014	38.076	-	-
6	11.850.813	2.212.764	1.706	705.660	19.280	155.325	100.403	-	-
7	1.352.943	267.814	41.326	76.193	10.726	11.936	21.011	-	-
8	44.956	32.116	4.843	4.146	-	3.888	2.343	-	-
9	38.754	28.421	1.680	31	-	2.013	5.487	-	-
10	16.147	12.641	886	1.617	-	4.267	2.115	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**4.800.064**	**4.225.724**
Movements in period	**1.171.190**	**574.340**
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	707.668	529.252
Sales(-)(1)	-	247.343
Revaluation increase/decrease(2)	511.903	396.485
Impairment provision (-)(3)	48.381	104.054
Balance at the end of the period	**5.971.254**	**4.800.064**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) The Bank has concluded the sale of 99.84% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.294.811.320 in 2017.

(2) Includes the differences in the other comprehensive income of consolidated subsidiaries and the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.

(3) Includes dividend income received in the current period.

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

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

Financial subsidiaries	Current Period	Prior Period
Banks	1.755.210	1.243.843
Insurance companies	-	-
Factoring companies	306.915	222.753
Leasing companies	2.185.240	1.966.487
Finance companies	-	-
Other financial subsidiaries	1.723.889	1.366.981
Total financial subsidiaries	**5.971.254**	**4.800.064**

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2017 - None).

1.11. Information on joint ventures (net):

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to "TAS – 27 Individual Financial Statements".

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	94.315	79.107	23.239	71.076	7.894	58.943	49.224
Total			**94.315**	**79.107**	**23.239**	**71.076**	**7.894**	**58.943**	**49.224**

1.12. Information on lease receivables (net):

None (December 31, 2017 - None).

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	3.039.441	280.292	2.678	1.162.010	4.484.421
Accumulated depreciation (-)	949.675	278.327	2.184	681.259	1.911.445
Net book value	**2.089.766**	**1.965**	**494**	**480.751**	**2.572.976**
Current Period					
Net book value at beginning of the period	**2.089.766**	**1.965**	**494**	**480.751**	**2.572.976**
Additions(1)	546.637	372	115	302.791	849.915
Disposals (-), net	330	4	2	1.317	1.653
Reversal of impairment	17.123	-	-	-	17.123
Impairment (-)	-	-	-	-	-
Depreciation (-)	36.822	382	352	130.594	168.150
Net book value at end of the period	**2.616.374**	**1.951**	**255**	**651.631**	**3.270.211**
Cost at the end of the period	3.534.757	233.383	2.640	1.393.485	5.164.265
Accumulated depreciation at the period end (-)	918.383	231.432	2.385	741.854	1.894.054
Current Period	**2.616.374**	**1.951**	**255**	**651.631**	**3.270.211**

(1) Bank had revaluation differences amounting to TL 545.509 for the property and equipment in tangible assets, on June 1, 2018.

As of December 31, 2018, the Bank had total provision for impairment amounting to TL 207.255 (December 31, 2017 – TL 224.378) for the property and equipment.

1.14. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	**1.626.850**	**1.523.961**
Additions during the period	224.229	241.138
Unused and disposed items (-)	-	10.239
Impairment reversal	-	-
Amortization expenses (-)	101.640	128.010
Balance at the end of the period	**1.749.439**	**1.626.850**

1.15. Information on investment property:

None (December 31, 2017 - None).

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

1.16. Information on deferred tax asset :

	Current Period			**Prior Period**
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Temporary differences	658.112	144.785	564.141	124.111
Pension fund provision	921.350	202.697	690.852	151.987
Valuation difference of securities portfolio	2.224.089	489.300	489.263	107.638
Subsidiaries, investment in associates and share certificates	122.117	26.866	122.117	26.866
Other	6.079.912	1.337.581	827.320	182.010
Total deferred tax asset	**10.005.580**	**2.201.229**	**2.693.693**	**592.612**
Derivative financial assets	(1.678.815)	(363.904)	(1.585.690)	(348.852)
Valuation difference of securities portfolio	(3.672.248)	(807.895)	(965.046)	(212.310)
Property, equipment and intangibles, net	(2.419.986)	(291.457)	(1.762.389)	(209.426)
Other	(666.639)	(168.338)	(136.009)	(29.923)
Total deferred tax liability	**(8.437.688)**	**(1.631.594)**	**(4.449.134)**	**(800.511)**
Deferred tax asset / (liability), net	**1.567.892**	**569.635**	**(1.755.441)**	**(207.899)**

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 569.635 is presented in the financial statements (December 31,2017 – TL 207.899 deferred tax liability).

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

	Current Period	**Prior Period**
Net book value at the beginning of the period	**202.019**	**159.974**
Additions	158.125	153.076
Disposals (-), net	73.067	111.416
Impairment provision reversal	1.450	385
Depreciation (-)	178	-
Net book value at the end of the period	**288.349**	**202.019**
Cost at the end of the period	297.286	214.507
Accumulated depreciation at the end of the period (-)	8.937	12.488
Net book value at the end of the period	**288.349**	**202.019**

As of December 31, 2018, the Bank booked impairment provision on assets held for resale with an amount of TL 4.689 (December 31, 2017 - TL 5.961).

1.18. Information on other assets:

As of December 31, 2018, other assets do not exceed 10% of the total assets.

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

2. Explanations and notes related to liabilities

2.1. Information on deposits:

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

Current Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.649.057	2.153.027	36.821.970	8.311.604	1.331.365	876.982	1.160	56.145.165
Foreign currency deposits	17.568.022	13.309.754	62.901.225	4.222.963	3.845.164	2.227.949	-	104.075.077
Residents in Turkey	17.226.979	13.073.148	61.680.447	3.966.514	2.364.955	749.558	-	99.061.601
Residents abroad	341.043	236.606	1.220.778	256.449	1.480.209	1.478.391	-	5.013.476
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.893.629	7.624.866	10.393.073	1.784.661	993.821	62.283	-	26.752.333
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.085.962	7.299.519	1.140.210	180.263	28.292	4.174	-	9.738.420
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.727	4.413.187	482.462	180.263	28.292	4.174	-	5.122.105
Foreign banks	298.845	16.870	657.748	-	-	-	-	973.463
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**33.668.362**	**30.643.874**	**112.929.608**	**14.777.577**	**7.278.209**	**3.250.346**	**1.160**	**202.549.136**

Prior Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.796.500	2.347.210	35.131.569	1.471.949	190.308	150.286	967	46.088.789
Foreign currency deposits	13.995.800	15.535.147	44.416.875	4.827.823	6.332.164	1.883.696	-	86.991.505
Residents in Turkey	13.782.454	15.171.010	43.708.004	4.103.568	3.262.384	921.777	-	80.949.197
Residents abroad	213.346	364.137	708.871	724.255	3.069.780	961.919	-	6.042.308
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.543.445	7.865.394	7.823.937	637.070	448.428	301.136	-	24.619.410
Other institutions deposits	116.749	457.166	801.617	495.305	517	513	-	1.871.867
Precious metals vault	744.610	71.033	358.492	27.040	39.115	19.229	-	1.259.519
Bank deposits	1.039.061	5.262.599	1.699.459	231.402	26.983	-	-	8.259.504
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	-	-	3.060.274
Foreign banks	561.376	3.713	98.662	5.105	-	-	-	668.856
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	**30.486.443**	**31.538.552**	**90.237.825**	**7.690.592**	**7.037.968**	**2.354.870**	**967**	**169.347.217**

2.1.2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
Saving deposits	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Saving deposits	26.735.693	23.544.523	29.409.467	22.544.257
Foreign currency saving deposits	8.820.034	6.989.255	35.161.445	25.392.052
Other deposits in the form of saving deposits	807.367	492.198	822.760	647.851
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(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	9.744	6.993
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	284.591	164.155
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	143.108	-	147.794	-
Swap transactions	5.140.123	774.199	3.263.154	219.065
Futures transactions	-	-	-	-
Options	248.837	49.638	144.714	63.177
Other	-	-	-	-
Total	**5.532.068**	**823.837**	**3.555.662**	**282.242**

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)	313.994	-	204.859	-
Cash flow hedges (1)	542.895	68.511	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	**856.889**	**68.511**	**300.046**	**12.380**

(1) Explained in Note 8 of section 4

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period	
	TL	**FC**
The CBRT borrowings	-	-
From domestic banks and institutions	261.574	228.605
From foreign banks, institutions and funds	10.117	36.849.042
Total	**271.691**	**37.077.647**

	Prior Period	
	TL	**FC**
The CBRT borrowings	-	460.152
From domestic banks and institutions	173.375	207.635
From foreign banks, institutions and funds	342.910	37.945.987
Total	**516.285**	**38.613.774**

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

2.3.2. Information on maturity structure of borrowings:

	Current Period	
	TL	**FC**
Short-term	271.691	8.065.386
Medium and long-term	-	29.012.261
Total	**271.691**	**37.077.647**

	Prior Period	
	TL	**FC**
Short-term	5.474	7.240.241
Medium and long-term	510.811	31.373.533
Total	**516.285**	**38.613.774**

2.3.3. Information on securitization borrowings:

2.3.3.1. The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From foreign banks	-	-	-	-
From foreign institutions	-	11.470.206	-	8.278.912
From foreign funds	-	-	-	-
Total(1)	**-**	**11.470.206**	**-**	**8.278.912**

(1) Securitization borrowings measured at fair value amounting to TL edilen 7.634.494 (December 31, 2017 - TL 4.929.709) presented in "Funds borrowed" in prior periods in the balance sheet; however, according to the new communique for financial statements and related disclosures effective from January 1, 2018, related liabilities are presented in "financial liabilities at fair value through profit or loss".

2.3.3.2. Information on financial liabilities at fair value through profit or loss :

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 7.965.404 (December 31, 2017 –TL 4.929.709) with an accrued interest income of TL 413.597 (December 31, 2017 - TL 123.051 loss) and with a fair value difference of TL 566.340 recognized in the expence statement as an income (December 31, 2017 - TL 216.465 loss). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of December 31, 2018 are TL 8.115.956 (December 31, 2017 - TL 4.618.063) for buy legs and TL 8.115.956 (December 31, 2017 - TL 4.618.063) for sell legs with a fair value differences amounting to TL 346.698 liability (December 31, 2017 - TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bonds	1.373.498	-	1.212.509	107.682
Bills	1.305.384	13.706.130	1.078.084	10.094.567
Total	**2.678.882**	**13.706.130**	**2.290.593**	**10.202.249**

2.4. Information on other liabilities:

As of December 31, 2018, other liabilities do not exceed 10% of the total balance sheet commitments.

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

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	90	85	-	-
Between 1 – 4 years	138	134	139	131
More than 4 years	-	-	-	-
Total	**228**	**219**	**139**	**131**

2.5.2. Information on operational leasing agreements:

The Bank enters into operational leasing agreements annually for some of its branches and ATMs.

2.6. Information on provisions:

2.6.1. Information on general provisions:

	Prior period
Provisions for first group loans and receivables	2.652.040
Provisions for second group loans and receivables	230.998
Provisions for non cash loans	111.917
Other	337.739
Total	**3.332.694**

2.6.2. 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	4,95
Possibility of being eligible for retirement (%)	94,45	93,79

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 July 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	**391.760**	**127.500**
Changes during the period	61.985	52.501
Recognized in equity	51.323	253.522
Paid during the period	(54.861)	(41.763)
Balance at the end of the period	**450.207**	**391.760**

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 207.905 as of December 31, 2018 (December 31, 2017 - TL 172.381).

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

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

As of December 31, 2018, there is provision amounting TL 435 provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2017 - TL 27.135). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.4. Other provisions:

2.6.4.1. Information on other provisions:

	Current Period
Pension fund provision	921.350
Provisions on unindemnified non cash loans	762.204
Generic provisions on non cash loans	103.165
Provision on lawsuits	79.009
Provisions on credit cards and promotion campaigns related to banking services	53.726
Other	730.091
Total	**2.649.545**

	Prior Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	139.143
Provision on lawsuits	63.729
Provisions on credit cards and promotion campaigns related to banking services	44.142
Other	482.004
Total	**1.419.870**

2.6.5. Pension fund provision:

The Bank provided provision amounting to TL 921.350 (December 31, 2017 – TL 690.852) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	230.498	122.846

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	2.871.022	2.371.855
- Pension benefits transferable to SSI	3.003.344	2.402.317
- Post employment medical benefits transferable to SSI	(132.322)	(30.462)
Fair value of plan assets	(1.949.672)	(1.681.003)
Provision for the actuarial deficit of the pension fund	**921.350**	**690.852**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

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

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	**%**	**Amount**	**%**
Bank placements	871.760	45	574.905	34
Government bonds and treasury bills	654.202	34	723.510	43
Premises and equipment	261.345	13	261.258	16
Other	162.365	8	121.330	7
Total	**1.949.672**	**100**	**1.681.003**	**100**

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	653.788	235.024
Taxation of Marketable Securities	162.568	147.382
Property Tax	3.290	3.301
Banking Insurance Transaction Tax ("BITT")	161.020	134.448
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	13.797	10.063
Other	50.678	44.328
Total	**1.045.141**	**574.546**

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	20.558	17.263
Bank pension fund premiums – employer	21.210	17.802
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.467	1.232
Unemployment insurance – employer	2.935	2.465
Other	-	-
Total	**46.170**	**38.762**

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

None (December 31, 2017 - None).

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Debt instruments to be included in additional capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	**13.557.153**	-	**9.718.804**
Subordinated loans	-	5.574.724	-	3.996.099
Subordinated debt	-	7.982.429	-	5.722.705
Total	-	**13.557.153**	-	**9.718.804**

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	4.347.051
Preferred stock	-	-

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

2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

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

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

Capital increase date	Capital increase amount	Cash	Profit reserves subject to capital increase	Capital reserves subject to capital increase
June 29, 2018	4.100.000	4.100.000	-	-

The Bank increased its paid in capital by TL 4.100.000, fully paid in cash, from TL 4.347.051 to TL 8.447.051 within registered share capital ceiling of TL 10.000.000. (31 December 2017 – None.)

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

None (December 31, 2017 - None).

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

None (December 31, 2017 - None).

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

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

2.10.7. Privileges on the corporate stock:

None (December 31, 2017 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	**741.942**	**2.503.109**
Revaluation difference(1)	741.942	435.592
Foreign currency difference(1)	-	2.067.517
Financial assets at fair value through other comprehensive income	**(1.486.592)**	**(261.418)**
Revaluation difference (2)	(1.486.592)	(261.418)
Foreign currency differences	-	
Total	**(744.650)**	**2.241.691**

	Prior Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	**880.331**	**1.651.298**
Revaluation difference(1)	880.331	476.354
Foreign currency difference(1)	-	1.174.944
Financial assets available-for-sale	**(471.086)**	**89.462**
Revaluation difference (2)	(471.086)	89.462
Foreign currency differences	-	-
Total	**409.245**	**1.740.760**

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.
(2) Includes tax effect related to foreign currency valuation differences in TL column.

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

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

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	35.189.895	33.700.364
Loan granting commitments	12.360.621	10.125.035
Commitments for cheques	2.990.824	6.844.741
Other irrevocable commitments	15.267.507	83.371.921
Total	**65.808.847**	**134.042.061**

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL103.165 (December 31, 2017 - TL 111.917) and specific provision amounting to TL 1.079.128 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 762.204 (December 31, 2017 – 139.143).

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	200.915	212.685
Letter of credits	10.716.784	10.944.238
Other guarantees and collaterals	7.923.230	6.811.093
Total	**18.840.929**	**17.968.016**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.300.681	2.273.465
Definite letter of guarantees	40.096.087	37.461.264
Advance letter of guarantees	11.055.173	9.606.133
Letter of guarantees given to customs	2.442.000	2.351.305
Other letter of guarantees	12.539.881	8.506.111
Total	**67.433.822**	**60.198.278**

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	11.989.428	8.052.720
With original maturity of 1 year or less than 1 year	2.376.215	1.878.094
With original maturity of more than 1 year	9.613.213	6.174.626
Other non-cash loans	74.285.323	70.113.574
Total	**86.274.751**	**78.166.294**

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

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	**(%)**	**FC**	**(%)**	**TL**	**(%)**	**FC**	**(%)**
Agricultural	**324.600**	**1,23**	**3.467.490**	**5,79**	**302.585**	**1,14**	**368.056**	**0,71**
Farming and raising livestock	231.432	0,88	3.179.968	5,31	260.917	0,98	263.931	0,51
Forestry	81.750	0,31	234.240	0,39	37.035	0,14	49.840	0,10
Fishing	11.418	0,04	53.282	0,09	4.633	0,02	54.285	0,10
Manufacturing	**12.312.519**	**46,61**	**28.997.997**	**48,45**	**10.852.136**	**40,96**	**25.292.833**	**48,93**
Mining	118.106	0,45	683.391	1,14	518.035	1,96	738.453	1,42
Production	8.694.393	32,91	24.043.041	40,17	6.672.557	25,18	21.358.268	41,33
Electric, gas and water	3.500.020	13,25	4.271.565	7,14	3.661.544	13,82	3.196.112	6,18
Construction	**6.420.726**	**24,30**	**13.616.930**	**22,75**	**7.027.361**	**26,52**	**10.281.769**	**19,90**
Services	**7.161.186**	**27,09**	**13.740.132**	**22,96**	**7.772.719**	**29,34**	**15.549.232**	**30,11**
Wholesale and retail trade	1.475.766	5,58	764.440	1,28	2.652.661	10,01	3.779.884	7,32
Hotel, food and beverage services	275.597	1,04	1.588.633	2,65	194.117	0,73	999.922	1,94
Transportation and telecommunication	624.555	2,36	3.624.958	6,06	632.515	2,39	3.774.910	7,31
Financial institutions	3.640.513	13,78	3.203.070	5,35	3.183.656	12,02	2.344.665	4,54
Real estate and leasing services	249.299	0,94	345.271	0,58	297.176	1,12	1.165.131	2,25
Self-employment services	-	-	-	-	-	-	-	-
Education services	44.742	0,17	44.440	0,07	55.950	0,21	40.215	0,08
Health and social services	850.714	3,22	4.169.320	6,97	756.644	2,86	3.444.505	6,67
Other	**202.755**	**0,77**	**30.416**	**0,05**	**540.413**	**2,04**	**179.190**	**0,35**
Total	**26.421.786**	**100,00**	**59.852.965**	**100,00**	**26.495.214**	**100,00**	**51.671.080**	**100,00**

3.1.3.3. Information on non-cash loans classified in Group I. and Group II:

	Group I		Group II	
Current Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.440.415	40.360.251	1.810.612	822.544
Bank acceptances	-	183.378	-	17.537
Letters of credit	152.733	10.542.158	-	21.893
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	18.026	7.901.706	-	3.498
Total	**24.611.174**	**58.987.493**	**1.810.612**	**865.472**

	Group I		Group II	
Prior Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	26.216.356	33.591.996	224.852	165.074
Bank acceptances	-	209.151	-	3.534
Letters of credit	20.000	10.922.822	-	1.416
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.006	6.776.693	-	394
Total	**26.270.362**	**51.500.662**	**224.852**	**170.418**

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

3.1.3.4. Maturity distribution of non cash loans:

Current Period [1]	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	7.788.001	2.733.290	195.493	10.716.784
Letter of guarantee	24.326.364	11.478.675	24.729.086	6.899.697	67.433.822
Bank acceptances	-	167.613	29.447	3.855	200.915
Other	1.101.131	520.904	636.249	5.664.946	7.923.230
Total	**25.427.495**	**19.955.193**	**28.128.072**	**12.763.991**	**86.274.751**

Prior Period [1]	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	7.489.348	3.452.609	2.281	10.944.238
Letter of guarantee	22.818.375	11.375.136	20.925.256	5.079.511	60.198.278
Bank acceptances	-	187.776	22.021	2.888	212.685
Other	613.499	1.103.309	1.127.480	3.966.805	6.811.093
Total	**23.431.874**	**20.155.569**	**25.527.366**	**9.051.485**	**78.166.294**

(1) The distribution is based on the original maturities.

3.2 Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	192.518.112	264.240.166
FC trading forward transactions	18.847.377	25.652.518
Trading swap transactions	160.203.963	214.630.310
Futures transactions	-	-
Trading option transactions	13.466.772	23.957.338
Interest related derivative transactions (II)	87.798.512	56.251.434
Forward interest rate agreements	-	-
Interest rate swaps	83.986.144	54.129.790
Interest rate options	3.812.368	2.121.644
Interest rate futures	-	-
Other trading derivative transactions (III)	24.682.146	21.267.164
A. Total trading derivative transactions (I+II+III)	**304.998.770**	**341.758.764**
Types of hedging derivative transactions		
Transactions for fair value hedge	3.445.976	2.606.876
Cash flow hedges	92.994.503	70.586.749
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**96.440.479**	**73.193.625**
Total derivative transactions (A+B)	**401.439.249**	**414.952.389**

3.3 Information on credit derivatives and risk exposures:

The Bank has no credit default swaps in derivative portfolio for the period ended 31 December 2018.Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2017 – TL 157.000).

Derivative portfolio includes total return swaps for TL 16.231.912 (31 December 2017 – TL 9.236.126) for the period ended 31 December 2018.

3.4 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 79.009 (December 31, 2017 - TL 63.729) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

3.5 Information on services in the name and account of others:

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

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term loans [1]	7.566.186	317.026	5.202.351	167.825
Medium/long-term loans [1]	10.669.327	5.228.154	8.468.756	3.588.928
Interest on loans under follow-up	1.187.616	-	99.313	-
Premiums received from resource utilization support fund	-	-	-	-
Total	**19.423.129**	**5.545.180**	**13.770.420**	**3.756.753**

(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	345.015	-	110.329	16
From domestic banks	144.231	2.685	46.902	755
From foreign banks	2.911	126.875	2.478	27.796
Headquarters and branches abroad	-	-	-	-
Total	**492.157**	**129.560**	**159.709**	**28.567**

4.1.3. Information on interest income on marketable securities:

	Current Period	
	TL	**FC**
From financial assets at fair value through profit or loss	9.144	2.042
From financial assets at fair value through other comprehensive income	4.337.457	181.313
From financial assets measured at amortised cost	2.115.329	496.176
Total	**6.461.930**	**679.531**

	Prior Period	
	TL	**FC**
From financial assets at fair value through profit or loss	2.013	1.392
From available-for-sale financial assets	2.285.948	153.031
From held-to-maturity investments	580.870	387.809
Total	**2.868.831**	**542.232**

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

	Current Period	**Prior Period**
Interest received from associates and subsidiaries	97.870	58.148
Total	**97.870**	**58.148**

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	39.139	1.803.499	44.691	1.066.885
The CBRT	-	593	-	5.010
Domestic banks	15.608	5.647	10.600	3.421
Foreign banks	23.531	1.797.259	34.091	1.058.454
Headquarters and branches abroad	-	-	-	-
Other institutions	-	454.975	-	209.430
Total (1)	**39.139**	**2.258.474**	**44.691**	**1.276.315**

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	272.047	176.824
Total	**272.047**	**176.824**

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	522.371	867.667	233.658	489.819
Total	**522.371**	**867.667**	**233.658**	**489.819**

4.2.4. Maturity structure of the interest expense on deposits:

		Time deposit							
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Accumulating deposit**	**Total**	**Prior Period**
TL									
Bank deposits	268	194.889	57.639	1.782	927	-	-	255.505	124.305
Saving deposits	-	342.943	6.191.401	441.182	73.521	44.435	117	7.093.599	4.349.837
Public sector deposits	-	2.263	796	22	47	2	-	3.130	2.086
Commercial deposits	37	1.223.339	1.786.277	131.707	83.694	15.879	-	3.240.933	2.703.070
Other deposits	-	38.940	589.363	119.118	56.185	1.802	-	805.408	713.217
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**305**	**1.802.374**	**8.625.476**	**693.811**	**214.374**	**62.118**	**117**	**11.398.575**	**7.892.515**
FC									
Foreign currency deposits	132	506.756	1.957.326	112.791	212.318	72.659	-	2.861.982	1.700.624
Bank deposits	3.106	61.195	1.755	250	-	-		66.306	30.617
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	863	2.338	233	657	128	-	4.219	3.228
Total	**3.238**	**568.814**	**1.961.419**	**113.274**	**212.975**	**72.787**	**-**	**2.932.507**	**1.734.469**
Grand total	**3.543**	**2.371.188**	**10.586.895**	**807.085**	**427.349**	**134.905**	**117**	**14.331.082**	**9.626.984**

4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	910	-
Financial assets at fair value through other comprehensive income	1.214	620
Other	4.202	1.653
Total	**6.326**	**2.273**

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

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

	Current Period	Prior Period
Gain	**116.027.524**	**42.864.974**
Gain from capital market transactions	175.958	91.511
Derivative financial transaction gains	47.499.921	15.939.233
Foreign exchange gains	68.351.645	26.834.230
Loss (-)	**116.675.147**	**43.677.487**
Loss from capital market transactions	50.197	38.237
Derivative financial transaction losses	36.012.871	17.230.541
Foreign exchange loss	80.612.079	26.408.709
Net gain/loss	**(647.623)**	**(812.513)**

4.5. Information on derivatives financial transaction gain/loss:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 12.525.468 gain (December 31, 2017 – TL 303.713 loss).

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.

4.7. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	6.983.607
12-month expected credit losses (Stage 1)	175.126
Significant increase in credit risk (Stage 2)	2.335.381
Credit-Impaired (Stage 3)	4.473.100
Impairment provisions for financial assets	-
Financial assets at fair value through profit or loss	-
Financial assets at fair value through other comprehensive income	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-
Investments in associates	-
Subsidiaries	-
Jointly controlled partnerships (joint ventures)	-
Other	138.096
Total	**7.121.703**

Provision for impairment of loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	2.752.892
III. Group loans and receivables	117.086
IV. Group loans and receivables	59.822
V. Group loans and receivables	2.575.984
General provision expenses	290.374
Provision expense for possible risks	50.000
Marketable securities impairment expenses	58.407
Financial assets at fair value through profit or loss	378
Available-for-sale financial assets	58.029
Impairment of investments in associates, subsidiaries and held-to-maturity securities	73.149
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Held-to-maturity investments(1)	73.149
Other	28.971
Total	**3.253.793**

(1) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

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

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses[(1)]	2.836.470	2.428.344
Reserve for employee termination benefits	11.622	10.738
Provision expense for pension fund	230.498	122.846
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	168.150	219.823
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	101.640	128.010
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	178	-
Depreciation expenses of assets held for resale	-	-
Other operating expenses	2.214.986	1.876.043
Operational lease expenses	332.149	309.268
Repair and maintenance expenses	127.716	106.502
Advertising expenses	130.029	139.509
Other expense	1.625.092	1.320.764
Loss on sales of assets	-	6
Other	763.259	734.550
Total	**6.326.803**	**5.520.360**

(1) "Personnel expenses" are also disclosed in this table, although it is not presented in other operating expenses in the income statement.

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

The profit before tax includes 13.942.015 (December 31, 2017 – TL 9.211.101) of net interest income, TL 4.016.348 (December 31, 2017 – TL 3.136.135) of net fees and commissions and total other operating expense including personnel expenses amounting to TL 6.326.803 (December 31, 2017 – TL 5.520.360).

As of December 31, 2018, the Bank has no (December 31, 2017 – None) profit before tax from discontinued operations.

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

As of December 31, 2018, the Bank has TL 791.064 (December 31, 2017 – TL 1.010.325) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 397.001 (December 31, 2017 – TL 150.992 deferred tax income).

Total provision for taxes on income for the current period and the previous period:

	Current Period	Prior Period
Profit before tax	5.855.491	4.473.414
Tax calculated at rate of 20%	1.288.208	911.757
Nondeductible expenses, discounts and other, net	(100.143)	(52.424)
Total	**1.188.065**	**859.333**

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

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

4.11.2. The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

4.12. Other items in income statement:

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

5. Explanations and notes related to statement of changes in shareholders’ equity

5.1 Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2 Information on increase/decrease amounts resulting from merger:

None.

5.3 Information on equity share premiums :

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4 Explanations on property and equipment valuation differences:

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 “ Property, Plant and Equipment”. As of 31 December 2018, revaluation gain under shareholders' equity is amounting to TL 1.845.522 (31 December 2017 – TL 1.360.019).

5.5 Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2018 actuarial loss under shareholders’ equity are amounting to TL 218.070 (31 December 2018 – TL 178.038).

5.6 Explanations on joint ventures accounted for using equity method:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in “ TAS 28 - Investments in Associates and Joint Ventures” in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as “Other accumulated comprehensive income that will not be reclassified in profit or loss” under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity, respectively.

5.7 Explanations on financial assets at fair value through other comprehensive income:

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity until the related assets are impaired or disposed.

5.8 Hedging transactions :

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2018 is TL 1.743.304 profit (December 31, 2017 – 836.691 profit).

The Bank’s Euro denominated borrowing is designated as a hedge of the net investment in the Bank’s certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2018 is EUR 430 million. (31 December 2017 is EUR 410 million)The foreign exchange loss of TL 943.970 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in “hedging reserves” in equity.(31 December 2017-461.466 TL loss)

5.9 Information on share issue premium:

Explained in details in Note 19 of Section Three.

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

6. Explanations and notes related to statement of cash flows:

6.1 Information on cash and cash equivalents:

6.1.1 Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as “Cash”; money market placements and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

6.1.2 Effect of a change in the accounting policies:

None.

6.1.3 Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1 Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**14.430.478**	**11.713.170**
Cash and effectives	2.495.919	2.656.507
Demand deposits in banks	11.934.559	9.056.663
Cash equivalents	**7.159.223**	**2.244.649**
Interbank money market	816.790	-
Time deposits in banks	6.342.433	2.244.649
Total cash and cash equivalents	**21.589.701**	**13.957.819**

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**35.514.149**	**14.430.478**
Cash and effectives	4.784.015	2.495.919
Demand deposits in banks	30.730.134	11.934.559
Cash equivalents	**7.307.598**	**7.159.223**
Interbank money market	112.773	816.790
Time deposits in banks	7.194.825	6.342.433
Total cash and cash equivalents	**42.821.747**	**21.589.701**

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 43.834.106 (December 31, 2017 – TL 34.613.762) in CBRT represent the reserve requirements of the Bank.

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

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other Account" amounting to TL 274.587 as of December 31, 2018 (December 31, 2017 – TL 2.291.765 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Decrease in "Net increase/decrease in other liabilities" amounting to TL 19.219 as of December 31, 2018 (December 31, 2017 – TL 1.549.396 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 14.526.803 as of December 31, 2018 (December 31, 2017 – TL 1.211.207 increase).

7. Explanations and notes related to the Bank's risk group

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

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group (1)(2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Balance at the end of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Interest and commission income received	**97.870**	**2.712**	**25.542**	**8.202**	**447.345**	**24.320**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group (1)(2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Balance at the end of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Interest and commission income received	**58.148**	**1.689**	**9.517**	**7.893**	**264.703**	**12.077**

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.
(2) The information in table above includes marketable securities and due from banks as well as loans.
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7.1.2. Information on deposits of the Bank's risk group:

Bank's risk group (1)(2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	3.193.655	4.074.057	23.274.293	19.715.780	17.865.257	13.596.912
End of the period	2.798.132	3.193.655	32.464.212	23.274.293	21.548.350	17.865.257
Interest expense on deposits	**272.047**	**176.824**	**2.280.419**	**1.339.521**	**1.037.526**	**719.527**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, financial liabilities fair value through profit and loss, marketable securities issued and repo transactions as well as deposits

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

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

Bank's risk group[(1)]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss						
Beginning of the period[(2)]	6.825.457	3.305.854	4.585.782	8.532.884	3.688.054	802.512
End of the period [(2)]	4.977.495	6.825.457	3.330.535	4.585.782	983.564	3.688.054
Total profit / (loss)	**(56.121)**	**(75.512)**	**(473.269)**	**(16.232)**	**(592.874)**	**(60.696)**
Transactions for hedging purposes						
Beginning of the period [(2)]	-	-	1.375.186	-	-	-
End of the period [(2)]	-	-	1.456.586	1.375.186	-	-
Total profit / (loss)	**-**	**-**	**106.586**	**25.186**	**-**	**-**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

7.2. Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 57.091 as of December 31, 2018 (December 31, 2017 – TL 67.790).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	**Number of Employees**	**Country of incorporation**	**Total asset**	**Statutory share capital**
Domestic Branch	853	17.574			
Foreign Rep. Office	-	-	-		
Foreign Branch	1	3	Bahrain	12.148.109	-
Off-Shore Banking Region Branch			-	-	-

9. Explanations and notes related to subsequent events:

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

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

Section Six-Other Explanations and Notes

1. Other explanations on the Bank’s operations

None.

Section Seven - Explanations on independent audit report

1. Explanations on independent auditor’s report

The unconsolidated financial statements for the period ended December 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s report dated, February 1, 2019 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

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