

Yapı ve Kredi Bankası A.Ş.

**Publicly announced unconsolidated financial statements and
related disclosures at March 31, 2019 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)**



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

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

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

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

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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
Partner

Istanbul, 2 May 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 INTERIM FINANCIAL REPORT
AS OF MARCH 31, 2019**

Address : Yapı Kredi Plaza D-Blok
Levent, 34330, İstanbul
Telephone number : (0212) 339 70 00
Fax number : (0212) 339 60 00
Web site : www.yapikredi.com.tr
E-Mail : financialreports@yapikredi.com.tr

The unconsolidated financial report for the three months 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 three months 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

Dr.Ahmet ÇİMENOĞLU
Member of Audit
Committee

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

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

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Notes to unconsolidated financial statements as of March 31, 2019

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

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. As of March 31, 2019, 18,10% of the shares of the Bank are publicly traded (December 31, 2018 - 18,10%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one 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%. In 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 March 31, 2019, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Notes to unconsolidated financial statements as of March 31, 2019

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

Board of Directors Members:

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

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

Audit Committee Members:

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

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

General Manager and Deputy General Manager:

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

Assistant General Managers:

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

Notes to unconsolidated financial statements as of March 31, 2019

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

As of March 31, 2019, the Bank has 17.379 employees (December 31, 2018 – 17.577 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.

Unconsolidated financial statements as of March 31, 2019 and December 31, 2018

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

ASSET	Note (Section Five)	Current Period (31/03/2019)			Prior Period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		45.116.522	55.007.808	100.124.330	47.647.266	45.458.060	93.105.326
I.1 Cash and Cash Equivalents	1.1	13.799.433	49.796.877	63.596.310	16.857.541	40.385.735	57.243.276
1.1.1 Cash and Balances with Central Bank		2.667.639	41.747.213	44.414.852	16.756.292	38.758.602	55.514.894
1.1.2 Banks	1.4	3.650.029	8.109.549	11.759.578	19.297	1.658.987	1.678.284
1.1.3 Money Markets		7.537.297	-	7.537.297	104.913	12.056	116.969
1.1.4 Provisions for Expected Losses (-)		55.532	59.885	115.417	22.961	43.910	66.871
I.2 Financial assets where fair value change is reflected to income statement	1.2	18.069	278.478	296.547	20.253	221.178	241.431
1.2.1 Government debt securities		15.231	63.113	78.344	17.686	50.656	68.342
1.2.2 Share certificates		-	215.365	215.365	-	170.522	170.522
1.2.3 Other financial assets		2.838	-	2.838	2.567	-	2.567
I.3 Financial assets where fair value change is reflected to other comprehensive income statement	1.5,1.6	23.247.895	3.996.269	27.244.164	22.798.520	3.861.979	26.660.499
1.3.1 Government debt securities		23.236.854	2.038.863	25.275.717	22.790.241	2.028.211	24.818.452
1.3.2 Share certificates		11.041	2.451	13.492	8.279	2.338	10.617
1.3.3 Other financial assets		-	1.954.955	1.954.955	-	1.831.430	1.831.430
I.4 Derivative Financial Assets	1.3	8.051.125	936.184	8.987.309	7.970.952	989.168	8.960.120
1.4.1 Derivative financial assets where fair value change is reflected to income statement		6.044.370	768.191	6.812.561	5.101.599	689.435	5.791.034
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		2.006.755	167.993	2.174.748	2.869.353	299.733	3.169.086
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		140.694.055	103.425.869	244.119.924	135.439.728	97.535.290	232.975.018
2.1 Loans	1.7	137.548.807	98.048.785	235.597.592	132.642.405	92.293.060	224.935.465
2.2 Receivables From Leasing Transactions (Net)	1.12	-	-	-	-	-	-
2.3 Factoring Receivables		114.496	-	114.496	95.337	-	95.337
2.4 Financial Assets Measured at Amortised Cost	1.8	13.907.891	9.212.662	23.120.553	12.933.751	8.741.415	21.675.166
2.4.1 Government debt securities		13.907.891	9.212.662	23.120.553	12.933.751	8.741.415	21.675.166
2.4.2 Other financial assets		-	-	-	-	-	-
2.5 Provisions for Expected Losses (-)		10.877.139	3.835.578	14.712.717	10.231.765	3.499.185	13.730.950
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.15	313.928	-	313.928	288.349	-	288.349
3.1 Held for Sale Purposes		313.928	-	313.928	288.349	-	288.349
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		3.143.675	3.891.711	7.035.386	3.144.898	3.645.062	6.789.960
4.1 Investments in Associates (net)	1.9	6.101	830.442	836.543	6.101	784.140	790.241
4.1.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated		6.101	830.442	836.543	6.101	784.140	790.241
4.2 Subsidiaries (Net)	1.10	3.116.634	3.061.269	6.177.903	3.117.632	2.860.922	5.978.554
4.2.1 Unconsolidated Financial Subsidiaries		3.109.334	3.061.269	6.170.603	3.110.332	2.860.922	5.971.254
4.2.2 Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3 Joint Ventures (Net)	1.11	20.940	-	20.940	21.165	-	21.165
4.3.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated		20.940	-	20.940	21.165	-	21.165
V. PROPERTY AND EQUIPMENT (Net)		4.164.623	-	4.164.623	3.270.211	-	3.270.211
VI. INTANGIBLE ASSETS [Net]		1.779.225	-	1.779.225	1.749.439	-	1.749.439
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		799.732	-	799.732	769.946	-	769.946
VII. INVESTMENT PROPERTY (Net)	1.13	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	1.14	676.253	-	676.253	569.635	-	569.635
X. OTHER ASSETS	1.16	2.433.059	8.352.064	10.785.123	2.905.219	6.390.434	9.295.653
TOTAL ASSETS		198.321.340	170.677.452	368.998.792	195.014.745	153.028.846	348.043.591

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

Unconsolidated financial statements as of March 31, 2019 and December 31, 2018

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

1. Balance sheet (Statement of Financial Position)

LIABILITIES	Note (Section Five)	TL	FC	Current Period (31/03/2019)		Prior Period (31/12/2018)	
				Total	TL	FC	Total
I. DEPOSITS	2.1	89.901.652	123.310.326	213.211.978	92.782.018	109.767.118	202.549.136
II. BORROWINGS	2.3.1	303.568	33.766.116	34.069.684	271.691	37.077.647	37.349.338
III. MONEY MARKETS		177.297	1.926.038	2.103.335	330.175	1.215.446	1.545.621
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.4	3.796.324	17.343.804	21.140.128	2.678.882	13.706.130	16.385.012
4.1 Bills		2.079.417	-	2.079.417	1.373.498	-	1.373.498
4.2 Asset backed Securities		-	-	-	-	-	-
4.3 Bonds	2.3.4	1.716.907	17.343.804	19.060.711	1.305.384	13.706.130	15.011.514
V. FUNDS							
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS	2.3.3	310.536	11.527.590	11.838.126	330.910	7.634.494	7.965.404
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	5.723.920	1.585.722	7.309.642	6.388.957	892.348	7.281.305
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		5.022.291	1.446.169	6.468.460	5.846.062	823.837	6.669.899
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		701.629	139.553	841.182	542.895	68.511	611.406
VIII. FACTORING PAYABLES							
IX. LEASE PAYABLES (Net)	2.5	854.408	11.624	866.032		219	219
X. PROVISIONS	2.6	3.117.081	270.786	3.387.867	3.000.839	306.818	3.307.657
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights	2.6.1	668.341	-	668.341	658.112	-	658.112
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions	2.6.3	2.448.740	270.786	2.719.526	2.342.727	306.818	2.649.545
XI. CURRENT TAX LIABILITIES	2.7	615.910		615.910	1.091.311		1.091.311
XII. DEFERRED TAX LIABILITIES							
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	2.8						
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	2.9		17.054.433	17.054.433		13.557.153	13.557.153
14.1 Loans		-	4.834.046	4.834.046	-	5.574.724	5.574.724
14.2 Other Facilities		-	12.220.387	12.220.387	-	7.982.429	7.982.429
XV. OTHER LIABILITIES	2.4	13.715.654	4.616.119	18.331.773	14.829.942	3.177.994	18.007.936
XVI. SHAREHOLDERS' EQUITY	2.10	36.685.123	2.384.761	39.069.884	36.539.132	2.464.367	39.003.499
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		1.998.255	-	1.998.255	1.995.493	-	1.995.493
16.2.1 Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.441.318	-	1.441.318	1.438.556	-	1.438.556
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		2.391.496	436.219	2.827.715	2.369.395	435.591	2.804.986
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		(2.030.217)	1.948.542	(81.675)	(909.935)	2.028.776	1.118.841
16.5 Profit Reserves		24.637.128	-	24.637.128	19,969.702	-	19,969.702
16.5.1 Legal Reserves		1.102.781	-	1.102.781	869.410	-	869.410
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		23.533.272	-	23.533.272	19,099.217	-	19,099.217
16.5.4 Other Profit Reserves		1.075	-	1,075	1,075	-	1,075
16.6 Profit or loss		1.241.410	-	1,241.410	4,667.426	-	4,667.426
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		1,241.410	-	1,241.410	4,667.426	-	4,667.426
TOTAL LIABILITIES		155.201.473	213.797.319	368.998.792	158.243.857	189.799.734	348.043.591

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

Unconsolidated financial statements as of March 31, 2019 and December 31, 2018

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

2. Off-balance sheet commitments

	Note (Section Five)	Current Period (31/03/2019)			Prior Period (31/12/2018)		
		TP	FC	Total	TP	FC	Total
A. Off-balance sheet commitments (I+II+III)		257.055.372	414.728.507	671.783.879	216.249.011	356.444.036	572.693.047
I. Guarantees and warranties	3.1.2.1	26.910.649	65.572.077	92.482.726	26.421.786	59.852.965	86.274.751
1.1 Letters of guarantee	3.1.2.2	26.709.523	44.242.719	70.952.242	26.251.027	41.182.795	67.433.822
1.1.1 Guarantees subject to state tender law		408.094	1.086.946	1.495.040	562.791	1.240.942	1.803.733
1.1.2 Guarantees given for foreign trade operations		4.005.410	43.155.773	47.161.183	3.909.134	39.941.853	43.850.987
1.1.3 Other letters of guarantee		22.296.019	-	22.296.019	21.779.102	-	21.779.102
1.2 Bank acceptances		-	175.378	175.378	-	200.915	200.915
1.2.1 Import letter of acceptance		-	175.378	175.378	-	200.915	200.915
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		169.366	12.535.031	12.704.397	152.733	10.564.051	10.716.784
1.3.1 Documentary letters of credit		169.366	12.535.031	12.704.397	152.733	10.564.051	10.716.784
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		31.760	4.110.092	4.141.852	18.026	3.997.024	4.015.050
1.9 Other warranties		-	4.508.857	4.508.857	-	3.908.180	3.908.180
II. Commitments	3.1.1	74.392.266	44.709.885	119.102.151	57.594.918	27.384.129	84.979.047
2.1 Irrevocable commitments		73.505.754	30.073.851	103.579.605	56.759.355	9.049.492	65.808.847
2.1.1 Asset purchase and sale commitments		15.237.511	26.458.204	41.695.715	1.969.620	6.371.281	8.340.901
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		10.877.620	2.183.352	13.060.972	10.167.781	2.192.840	12.360.621
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve requirements		-	-	-	-	-	-
2.1.7 Commitments for checks payments		3.591.570	-	3.591.570	2.990.824	-	2.990.824
2.1.8 Tax and fund liabilities from export commitments		4.211	-	4.211	4.551	-	4.551
2.1.9 Commitments for credit card expenditure limits		37.050.811	-	37.050.811	35.189.895	-	35.189.895
2.1.10 Commitments for credit cards and banking services promotions		25.932	-	25.932	27.510	-	27.510
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		6.718.099	1.432.295	8.150.394	6.409.174	485.371	6.894.545
2.2 Revocable commitments		886.512	14.636.034	15.522.546	835.563	18.334.637	19.170.200
2.2.1 Revocable loan granting commitments		886.512	14.636.034	15.522.546	835.563	18.334.637	19.170.200
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		155.752.457	304.446.545	460.199.002	132.232.307	269.206.942	401.439.249
3.1 Derivative financial instruments held for hedging		44.719.201	49.682.871	94.402.072	48.402.801	48.037.678	96.440.479
3.1.1 Fair value hedges		270.141	3.357.469	3.627.610	270.141	3.175.835	3.445.976
3.1.2 Cash flow hedges		44.449.060	46.325.402	90.774.462	48.132.660	44.861.843	92.994.503
3.1.3 Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2 Trading transactions		111.033.256	254.763.674	365.796.930	83.829.506	221.169.264	304.998.770
3.2.1 Forward foreign currency purchase and sale transactions		10.623.169	12.365.204	22.988.373	8.116.786	10.730.591	18.847.377
3.2.1.1 Forward foreign currency purchase transactions		5.346.807	6.329.229	11.676.036	3.821.115	5.862.521	9.683.636
3.2.1.2 Forward foreign currency sale transactions		5.276.362	6.035.975	11.312.337	4.295.671	4.868.070	9.163.741
3.2.2 Currency and interest rate swaps		91.615.796	194.859.338	286.475.134	69.858.272	174.331.835	244.190.107
3.2.2.1 Currency swap purchase transactions		15.186.535	79.295.869	94.482.404	15.558.017	63.616.649	79.174.666
3.2.2.2 Currency swap sale transactions		61.267.261	34.278.285	95.545.546	47.018.255	34.011.042	81.029.297
3.2.2.3 Interest rate swap purchase transactions		7.581.000	40.642.592	48.223.592	3.641.000	38.352.072	41.993.072
3.2.2.4 Interest rate swap sale transactions		7.581.000	40.642.592	48.223.592	3.641.000	38.352.072	41.993.072
3.2.3 Currency, interest rate and securities options		7.113.599	15.394.024	22.507.623	5.034.420	12.244.720	17.279.140
3.2.3.1 Currency purchase options		3.690.692	6.001.841	9.692.533	1.735.423	5.022.695	6.758.118
3.2.3.2 Currency sale options		3.422.907	6.214.610	9.637.517	2.998.997	3.709.657	6.708.654
3.2.3.3 Interest rate purchase options		-	2.198.494	2.198.494	150.000	2.325.046	2.475.046
3.2.3.4 Interest rate sale options		-	979.079	979.079	150.000	1.187.322	1.337.322
3.2.3.5 Securities purchase options		-	-	-	-	-	-
3.2.3.6 Securities sale options		-	-	-	-	-	-
3.2.4 Currency futures		860.634	839.048	1.699.682	-	-	-
3.2.4.1 Currency purchase futures		5.395	834.281	839.676	-	-	-
3.2.4.2 Currency sale futures		855.239	4.767	860.006	-	-	-
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		820.058	31.306.060	32.126.118	820.028	23.862.118	24.682.146
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		3.189.861.546	707.964.376	3.897.825.922	3.144.563.530	655.742.081	3.800.305.611
IV. ITEMS HELD IN CUSTODY		372.959.253	568.407.149	941.366.402	357.170.276	530.118.288	887.288.564
4.1 Assets under management		-	-	-	-	-	-
4.2 Securities held in custody		352.868.959	567.796.936	920.665.895	333.178.706	529.517.839	862.696.545
4.3 Checks received for collection		14.906.635	51.971	14.958.606	18.324.311	55.419	18.379.730
4.4 Commercial notes received for collection		5.125.515	473.446	5.598.961	5.609.115	464.462	6.073.577
4.5 Other assets received for collection		-	67.600	67.600	-	64.289	64.289
4.6 Securities received for public offering		-	-	-	-	-	-
4.7 Other items under custody		58.144	17.196	75.340	58.144	16.279	74.423
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		2.792.003.072	129.050.960	2.921.054.032	2.767.738.690	115.746.850	2.883.485.540
5.1 Marketable securities		793.875	624	794.499	249.891	583	250.474
5.2 Guarantee notes		1.036.901	318.310	1.355.211	1.144.853	316.775	1.461.628
5.3 Commodity		16.297	-	16.297	17.430	-	17.430
5.4 Warrant		-	-	-	-	-	-
5.5 Immovables		2.599.278.823	95.052.762	2.694.331.585	2.589.950.921	92.780.033	2.682.730.954
5.6 Other pledged items		190.877.176	33.669.185	224.546.361	176.375.595	22.640.019	199.015.614
5.7 Depositories receiving pledged items		-	10.079	10.079	-	9.440	9.440
VI. ACCEPTED GUARANTEES AND WARRANTS		24.899.221	10.506.267	35.405.488	19.654.564	9.876.943	29.531.507
TOTAL OFF BALANCE SHEET COMMITMENTS		3.446.916.918	1.122.692.883	4.569.609.801	3.360.812.541	1.012.186.117	4.372.998.658

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

Unconsolidated financial statements as of March 31, 2019 and 2018

(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 (01/01/2019 – 31/03/2019)	Prior Period (01/01/2018 – 31/03/2018)
I.	INTEREST INCOME	4.1	8,914,982	6,303,202
1.1	Interest on Loans	4.1.1	7,166,365	5,154,442
1.2	Interest received from reserve deposits		116,286	82,770
1.3	Interest Received from Banks	4.1.2	155,999	133,926
1.4	Interest Received from Money Market Transactions		42,264	7,748
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	1,425,553	923,714
1.5.1	Financial Assets at Fair Value Through Profit and Loss		1,896	6,734
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		897,037	643,369
1.5.3	Financial assets measured at amortised cost		526,620	273,611
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		8,515	602
II.	INTEREST EXPENSE (-)	4.2	5,558,560	3,535,571
2.1	Interest on Deposits	4.2.4	4,333,769	2,592,921
2.2	Interest on Funds Borrowed	4.2.1	744,464	432,648
2.3	Interest expense on money market transactions		41,399	234,107
2.4	Interest on Securities Issued	4.2.3	358,515	240,660
2.5	Interest on Lease Payables		40,523	4
2.6	Other Interest Expense		39,890	35,231
III.	NET INTEREST INCOME/EXPENSE (I - II)		3,356,422	2,767,631
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		1,283,472	986,131
4.1	Fees and Commissions Received		1,685,208	1,222,898
4.1.1	Non-cash Loans		256,699	168,004
4.1.2	Other		1,428,509	1,054,894
4.2	Fees and Commissions Paid		401,736	236,767
4.2.1	Non-cash Loans		72	60
4.2.2	Other		401,664	236,707
V.	DIVIDEND INCOME		7,753	2,598
VI.	TRADING PROFIT/LOSS (Net)	4.3	(21,986)	(440,432)
6.1	Trading Gains/Losses on Securities		63,717	41,287
6.2	Derivative Financial Transactions Gains/Losses	4.5	1,407,933	504,035
6.3	Foreign Exchange Gains/Losses		(1,493,636)	(985,754)
VII.	OTHER OPERATING INCOME	4.6	403,454	368,922
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		5,029,115	3,684,850
IX.	PROVISION FOR EXPECTED LOSSES (-)	4.4	1,898,265	813,329
X.	OTHER PROVISION EXPENSES (-)	4.4	213,247	145,146
XI.	PERSONNEL EXPENSES (-)	4.8	746,311	617,400
XII.	OTHER OPERATING EXPENSES (-)	4.7	868,587	758,017
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		1,302,705	1,350,958
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		224,054	210,868
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	4.8	1,526,759	1,561,826
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.9	285,349	317,778
18.1	Current Tax Provision		-	-
18.2	Expense effect of deferred tax (+)		285,349	317,778
18.3	Income effect of deferred tax (-)		-	-
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		1,241,410	1,244,048
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)		1,241,410	1,244,048
	Earnings/(loss) per share (full TL)		0,0015	0,0029

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

Unconsolidated financial statements as of March 31, 2019 and 2018

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

4. Statement of Profit or Loss and Other Comprehensive Income

	Current Period (31/03/2019)	Prior Period (31/03/2018)
I. PROFIT /(LOSS)	1.241.410	1.244.048
II. OTHER COMPREHENSIVE INCOME	(1.177.787)	386.703
2.1 Other comprehensive income that will not be reclassified to profit or loss	22.729	2.629
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	14.787	(311)
2.1.2 Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	-	-
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	9.569	2.906
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(1.627)	34
2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(1.200.516)	384.074
2.2.1 Exchange Differences on Translation	194.950	190.197
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(899.317)	(212.326)
2.2.3 Income (loss) Related with Cash Flow Hedges	(762.696)	604.001
2.2.4 Income (loss) Related with Hedges of Net Investments in Foreign Operations	(127.046)	(143.115)
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	393.593	(54.683)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	63.623	1.630.751

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

Unconsolidated financial statements as of March 31, 2019

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

5. Statement of changes in shareholders’ equity

Current Period (31/03/2019)	Other Accumulated Comprehensive Income				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income						
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			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	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
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.438.556	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
IV. Total comprehensive income (loss)	-	-	-	-	13.160	-	9.569	194.950	(701.467)	(693.999)	-	-	1.241.410	63.623
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	2.762	-	-	-	-	-	-	-	-	-	2.762
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.441.318	1.858.682	(218.070)	1.187.103	2.262.467	(2.449.477)	105.335	24.637.128	-	1.241.410	39.069.884

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 Other Accumulated 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.

Unconsolidated financial statements as of March 31, 2018

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

5. Statement of changes in shareholders’ equity

CHANGES IN SHAREHOLDER’S EQUITY	Prior Period (31/03/2018)				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders’ equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
					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)	-	-	-	-	(277)	-	2.906	190.197	(165.614)	359.491	-	-	1.244.048	1.630.751
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-
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)	4.347.051	543.881	-	1.467.920	1.359.742	(178.038)	1.178.241	1.365.141	(436.913)	734.716	19.969.810	-	1.244.048	31.595.599

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 Other Accumulated 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.

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

Unconsolidated financial statements as of March 31, 2019 and 2018

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

6. Statement of cash flows

	(Notes section five)	Current Period (31/03/2019)	Prior Period (31/03/2018)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	3.075.921	1.260.978
1.1.1	Interest received	7.505.333	5.144.913
1.1.2	Interest paid	(5.404.734)	(3.367.601)
1.1.3	Dividend received	190.899	62.801
1.1.4	Fees and commissions received	1.685.208	1.222.898
1.1.5	Other income	250.733	(396.935)
1.1.6	Collections from previously written-off loans and other receivables	403.951	351.708
1.1.7	Cash Payments to personnel and service suppliers	(1.613.568)	(1.221.117)
1.1.8	Taxes paid	(682.028)	(288.159)
1.1.9	Other	740.127	(247.530)
1.2	Changes in operating assets and liabilities subject to banking operations	414.552	(8.220.310)
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss	(55.243)	(213.593)
1.2.2	Net (increase) decrease in due from banks	(864.934)	(3.526.152)
1.2.3	Net (increase) decrease in loans	(11.076.706)	(3.934.628)
1.2.4	Net (increase) decrease in other assets	(2.093.324)	(1.117.309)
1.2.5	Net increase (decrease) in bank deposits	(5.525.012)	3.685.470
1.2.6	Net increase (decrease) in other deposits	16.187.523	956.471
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	3.972.854	1.022.598
1.2.8	Net increase (decrease) in funds borrowed	(2.582.196)	(1.279.392)
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	2.451.590	(3.813.775)
I.	Net cash provided from banking operations	3.490.473	(6.959.332)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities	(2.352.504)	618.870
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	(175.797)	(60.609)
2.4	Cash obtained from the sale of tangible and intangible asset	104.284	13.781
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(3.780.368)	(2.889.941)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	2.296.460	4.015.566
2.7	Cash paid for the purchase of financial assets at amortised cost	(867.912)	(860.045)
2.8	Cash obtained from sale of financial assets at amortised cost	70.829	400.118
2.9	Other	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flows from financing activities	4.411.661	2.919.149
3.1	Cash obtained from funds borrowed and securities issued	6.407.604	3.686.125
3.2	Cash outflow from funds borrowed and securities issued	(1.896.199)	(766.940)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance lease liabilities	(99.744)	(36)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	1.773.257	741.476
V.	Net increase/decrease in cash and cash equivalents	7.322.887	(2.679.837)
VI.	Cash and cash equivalents at beginning of the period	42.821.747	21.589.701
VII.	Cash and cash equivalents at end of the period	50.144.634	18.909.864

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

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 Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying 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/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The 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, communiqué, 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 accounting principles except TFRS 16 impact, are in accordance with the used principles in preparation of yearly financial statements as of December 31, 2018.

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

Additional paragraph for convenience translation into English:

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

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

The general strategy of the 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 "IFRS 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 "IFRS – 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 March 31, 2019, the Bank's credit derivatives portfolio included total return swaps.

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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 "IFRS – 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, "IFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

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

5. Explanations on interest income and expense:

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

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

6. Explanations on fee and commission income and expenses:

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

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

Notes to unconsolidated financial statements as of March 31, 2019

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

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.

Notes to unconsolidated financial statements as of March 31, 2019

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

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.

Notes to unconsolidated financial statements as of March 31, 2019

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

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.

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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.

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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 assessments 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 abandon 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 comparison 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

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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 scenarios. 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 acquire 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.

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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 leasing transactions in the capacity of the lessee and lessor.

Accounting of leasing operations according to lessee:

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

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

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

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

Information on lease payables

	January 1, 2019
Operating lease commitments within the scope of IFRS 16 (undiscounted)	1.368.850
Total lease payables within the scope of IFRS 16 (discounted using the borrowing rate)	800.842
Finance lease payables	219
Lease payables	801.061
- Current lease liabilities	178.050
- Non-current lease liabilities	623.011

Information on total right-of-use assets:

	January 1, 2019
Branch	754.915
ATM	46.146
Total right-of-use assets	801.061

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.

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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

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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 50% portion of the capital gains 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.

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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, 2018 - TL 1.075).

22. Profit reserves and profit distribution:

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

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the 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	1.241.410	1.244.048
Weighted average number of issued ordinary shares(thousand)	844.705.128	434.705.128
Earnings per share (full TL)	0,0015	0,0029

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

No bonus shares were issued during 2019 (2018 - None).

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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.

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 16,18 % (December 31, 2018 – 16,07%).

1.1. Information on equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	26.058.750	21.391.324
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	6.456.655	6.833.879
Profit	1.241.410	4.667.426
Net profit of the period	1.241.410	4.667.426
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	19.696	16.934
Common Equity Tier 1 capital before regulatory adjustments	42.780.499	41.913.551
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	83.236	53.668
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	3.710.615	2.910.052
Improvement costs for operating leasing	96.496	99.637
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	748.225	721.454
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	895.156	1.513.584
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	851.382	805.305
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	7.364.603	7.083.193
Common Equity Tier 1 capital (CET1)	35.415.896	34.830.358

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

ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
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	3.658.460	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	3.658.460	-
Additional Tier 1 capital: regulatory adjustments	-	-
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	3.658.460	-
Total Additional Tier 1 capital	39.074.356	34.830.358
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	3.658.460	-
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.005.502	7.070.650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	524.885	711.040
Provisions (Article 8 of the Regulation on the Equity of Banks) ⁽¹⁾	2.635.347	2.522.438
Tier 2 capital before regulatory adjustments	9.165.734	10.304.128
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	94.944	87.791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	94.944	87.791
Total Tier 2 capital	9.070.790	10.216.337
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	48.095.728	45.002.936
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.280	4.893
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 ⁽²⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	45.138	38.866
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be 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 be 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 be 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 (-)	-	-

Notes to unconsolidated financial statements as of March 31, 2019

(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)	48.095.728	45.002.936
Total Risk Weighted Assets	297.320.472	280.045.872
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,91	12,44
Tier 1 Capital Adequacy Ratio (%)	13,14	12,44
Capital Adequacy Ratio (%)	16,18	16,07
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,533	1,900
a) Capital conservation buffer requirement (%)	2,500	1,875
b) Bank's specific countercyclical buffer requirement (%)	0,033	0,025
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 (%)	7,142	6,437
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)	2.430.100	2.393.632
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	5.699.576	5.177.890
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.378.650	3.233.895
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	524.885	711.040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	5.014.908	4.549.860

(1) Represents post-tax net amount of general provisions.

(2) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of March 31, 2019

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

1.2. Details on Subordinated Liabilities:

	1	2	3	4	5
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law
Regulatory treatment					
Transitional Basel III rules	No	No	Yes	No	Hayır
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil. as of most recent reporting date)	2.463	1.978	711	2.630	3.658
Par value of instrument	3.078	2.473	5.261	2.630	3.658
Accounting classification	Liability – Subordinated Loans- amortised cost	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	January 15, 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual
Original maturity date	10 years	10 years	10 years	10 years + 1 day	
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	5 years
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	-
Coupons / dividends					
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55% fixed, second 5 years 7,7156 fixed	5,5%	8,625% 5 Year MidSwap+7,40 basis points, 8,625% coupon	First 5 years %13,875 fixed, after 5th year MidSwap+%11,24,5 fixed
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional
Existence of step up or other incentive to redeem	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Noncumulative
Convertible or non-convertible					
If convertible, conversion trigger (s)	-	-	-	-	-
If convertible, fully or partially	-	-	-	-	-
If convertible, conversion rate	-	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-	-
Write-down feature					
If write-down, write-down trigger(s)	-	-	-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%
If write-down, full or partial	-	-	-	Partial	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No	No
Details of non-compliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-g	-	-

Unconsolidated financial statements as of March 31, 2019

(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”.

2. Explanations on Risk Management:

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

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1. Overview of Risk Weighted Assets

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	262.598.752	251.757.093	21.007.900
2 Of which standardised approach (SA)	262.598.752	251.757.093	21.007.900
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	7.691.973	6.953.111	615.358
5 Of which standardised approach for counterparty credit risk (SA-CCR)	7.691.973	6.953.111	615.358
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	1.322	1.459	106
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – fall-back approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	2.548.881	2.037.040	203.910
17 Of which standardised approach (SA)	2.548.881	2.037.040	203.910
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	24.479.544	19.297.169	1.958.364
20 Of which Basic Indicator Approach	24.479.544	19.297.169	1.958.364
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)	297.320.472	280.045.872	23.785.638

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

3. 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:	5,6284	6,3188
First day current bid rate	5,5423	6,2335
Second day current bid rate	5,3307	6,0091
Third day current bid rate	5,4945	6,2162
Fourth day current bid rate	5,6458	6,3858
Fifth day current bid rate	5,5274	6,2630
Arithmetic average of the last 31 days:	5,4649	6,1768
Balance sheet evaluation rate as of prior period:	5,2609	6,0280

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(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	23.271.718	14.410.455	4.065.040	41.747.213
Banks	1.616.101	6.437.424	56.024	8.109.549
Financial assets at fair value through profit or loss	8.521	269.957	-	278.478
Money market placements	-	-	-	-
Available-for-sale financial assets	895.661	3.100.608	-	3.996.269
Loans ⁽¹⁾	42.296.093	54.103.907	1.417.350	97.817.350
Investments in associates, subsidiaries and joint ventures	2.770.724	290.545	830.442	3.891.711
Held-to-maturity investments	329.574	8.883.088	-	9.212.662
Hedging derivative financial assets	1.482	166.511	-	167.993
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	2.826.323	5.583.472	265.601	8.675.396
Total assets	74.016.197	93.245.967	6.634.457	173.896.621
Liabilities				
Bank deposits	774.828	181.372	77.855	1.034.055
Foreign currency deposits	43.524.319	75.015.362	3.736.590	122.276.271
Funds from money market	1.407.326	518.712	-	1.926.038
Funds borrowed from other financial institutions	16.489.629	17.242.482	34.005	33.766.116
Marketable securities issued	64.396	17.212.625	66.783	17.343.804
Miscellaneous payables	3.507.238	347.525	37.314	3.892.077
Hedging derivative financial liabilities	72.040	67.513	-	139.553
Other liabilities ⁽³⁾	910.656	30.118.242	5.746	31.034.644
Total liabilities	66.750.432	140.703.833	3.958.293	211.412.558
Net on-balance sheet position	7.265.765	(47.457.866)	2.676.164	(37.515.937)
Net off-balance sheet position⁽⁵⁾	(6.765.272)	47.485.997	(1.865.521)	38.855.204
Financial derivative assets	15.096.740	86.595.144	2.100.962	103.792.846
Financial derivative liabilities	21.862.012	39.109.147	3.966.483	64.937.642
Net Position	500.493	28.131	810.643	1.339.267
Non-cash loans	33.380.897	27.262.181	4.928.999	65.572.077
Prior Period				
Total assets	69.213.666	80.458.736	7.423.155	157.095.557
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	(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

(1) Includes FX indexed loans amounting to TL 3.578.944 (December 31, 2018 – TL 4.356.033) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 359.775 (December 31, 2018 - TL 289.322).

(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.

4. 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.

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	12.982.001	-	-	-	-	31.432.851	44.414.852
Banks	5.182.122	334.723	461.258	-	-	5.781.475	11.759.578
Financial assets at fair value through profit/loss	472	-	2.128	13.102	62.641	218.204	296.547
Receivables from money markets	7.537.297	-	-	-	-	-	7.537.297
Financial assets at fair value through other comprehensive income	4.977.312	3.473.058	9.978.363	5.929.962	2.871.977	13.492	27.244.164
Loans ⁽¹⁾	38.249.353	44.093.265	61.884.945	68.539.501	9.891.274	(1.614.831)	221.043.507
Financial assets measured at amortised cost	1.240.200	1.160.741	8.139.888	2.456.417	10.123.307	-	23.120.553
Other assets	1.514.157	2.732.289	1.502.533	2.920.770	317.560	24.594.985	33.582.294
Total assets	71.682.914	51.794.076	81.969.115	79.859.752	23.266.759	60.426.176	368.998.792
Liabilities							
Bank deposits	3.019.901	51.505	6.667	-	-	1.128.473	4.206.546
Other deposits	140.174.617	22.212.202	7.832.122	74.647	-	38.711.844	209.005.432
Funds from money market	292.986	592.942	582.235	635.172	-	-	2.103.335
Miscellaneous payables	-	-	-	-	-	16.200.584	16.200.584
Marketable securities issued	758.276	905.272	5.830.256	8.069.166	5.577.158	-	21.140.128
Funds borrowed from other financial institutions	12.065.498	17.202.512	4.118.248	656.345	27.081	-	34.069.684
Other liabilities ⁽²⁾	1.442.634	23.362.068	8.086.743	2.528.532	1.648.256	45.204.850	82.273.083
Total liabilities	157.753.912	64.326.501	26.456.271	11.963.862	7.252.495	101.245.751	368.998.792
Balance sheet long position	-	-	55.512.844	67.895.890	16.014.264	-	139.422.998
Balance sheet short position	(86.070.998)	(12.532.425)	-	-	-	(40.819.575)	(139.422.998)
Off-balance sheet long position	18.803.162	29.605.364	-	-	-	-	48.408.526
Off-balance sheet short position	-	-	(5.845.452)	(34.390.430)	(7.965.160)	-	(48.201.042)
Total position	(67.267.836)	17.072.939	49.667.392	33.505.460	8.049.104	(40.819.575)	207.484

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	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
Money market placements	12.056	84.708	20.205	-	-	-	116.969
Available-for-sale financial assets	2.999.967	5.343.549	8.526.942	6.659.334	3.175.156	10.617	26.715.565
Loans ⁽¹⁾	36.667.095	31.771.753	71.788.308	62.358.889	10.064.900	(1.312.795)	211.338.150
Held-to-maturity investments	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 ⁽²⁾	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)

(1) Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.

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

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4.2. 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	-	13,00
Banks	1,43	2,50	-	24,93
Financial assets at fair value through profit or loss	3,85	6,45	-	13,32
Receivables from money markets	-	-	-	21,69
Financial assets at fair value through other comprehensive income	4,09	5,41	-	17,82
Loans	4,95	7,56	5,15	19,51
Financial assets measured at amortised cost	5,25	5,44	-	17,83
Liabilities⁽¹⁾				
Bank deposits	-	2,00	-	24,01
Other deposits	1,48	3,42	1,26	19,67
Funds from money market	0,89	4,52	-	24,25
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	5,85	-	17,96
Funds borrowed from other financial institutions	1,54	3,70	2,64	12,84
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	-	2,00	-	17,58
Banks	1,51	-	-	23,90
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Money market placements	0,01	-	-	27,00
Available-for-sale financial assets	4,10	5,46	-	18,61
Loans	4,94	7,55	5,15	19,26
Held-to-maturity investments	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

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

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

None.

6. 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.

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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 55% of total liabilities of the Bank (31 December 2018 – 58%) 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.

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

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	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets	-	-	75.016.163	40.009.008
Cash Outflows				
Retail and Small Business Customers Deposits	114.972.900	53.189.421	10.334.650	5.318.852
Stable deposits	23.252.800	1.812	1.162.640	91
Less stable deposits	91.720.100	53.187.609	9.172.010	5.318.761
Unsecured Funding other than Retail and Small Business Customers Deposits	82.353.669	49.919.889	44.805.883	25.168.600
Operational deposits	-	-	-	-
Non-Operational deposits	67.212.934	45.985.864	32.303.949	21.234.575
Other Unsecured funding	15.140.735	3.934.025	12.501.934	3.934.025
Secured funding	-	-	110.413	110.413
Other Cash Outflows	2.095.674	5.918.148	2.095.674	5.918.148
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.095.674	5.918.148	2.095.674	5.918.148
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	96.066.225	68.605.936	4.803.311	3.430.297
Other irrevocable or conditionally revocable commitments	72.795.640	15.681.850	7.758.480	3.538.066
Total Cash Outflows	-	-	69.908.411	43.484.376
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.288.978	10.677.810	19.465.108	9.932.051
Other contractual cash inflows	33.094	22.350.827	33.094	22.350.827
Total Cash Inflows	27.322.072	33.028.637	19.498.202	32.282.878
			Capped Amounts	
Total High Quality Liquid Assets			75.016.163	40.009.008
Total Net Cash Outflows			50.410.209	11.201.498
Liquidity Coverage Ratio (%)			148,81	357,18

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	January 4, 2019	January 4, 2019	March 1, 2019	March 22, 2019
Ratio(%)	271,46	138,66	400,85	171,08

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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 2018.

Prior Period	Unweighted Amounts		Weighted Amounts	
	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.

Prior 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

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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	31.477.955	12.936.897	-	-	-	-	-	44.414.852
Banks	5.781.475	5.182.122	334.723	461.258	-	-	-	11.759.578
Financial assets at fair value through profit or loss	2.839	472	-	2.128	13.102	62.641	215.365	296.547
Receivables from money markets	-	7.537.297	-	-	-	-	-	7.537.297
Financial assets at fair value through other comprehensive income	-	253.454	1.283.616	2.706.915	16.128.763	6.857.924	13.492	27.244.164
Loans ⁽¹⁾	-	37.050.311	21.447.423	55.628.237	88.029.358	20.503.009	(1.614.831)	221.043.507
Financial assets measured at amortised cost	-	-	-	830.399	6.241.813	16.048.341	-	23.120.553
Other assets	3.148.602	1.023.846	1.547.199	2.016.936	3.635.493	763.835	21.446.383	33.582.294
Total assets	40.410.871	63.984.399	24.612.961	61.645.873	114.048.529	44.235.750	20.060.409	368.998.792
Liabilities								
Bank deposits	1.128.473	3.019.901	51.505	6.667	-	-	-	4.206.546
Other deposits	38.711.844	140.174.617	22.212.202	7.832.122	74.647	-	-	209.005.432
Funds borrowed from other financial institutions	-	1.364.434	10.771.117	13.145.838	6.184.629	2.603.666	-	34.069.684
Funds from money market	-	292.986	592.942	582.235	635.172	-	-	2.103.335
Marketable securities issued	-	758.274	1.321.142	5.830.256	7.653.296	5.577.160	-	21.140.128
Miscellaneous payables	1.015.211	14.923.233	64.928	-	-	-	197.212	16.200.584
Other liabilities ⁽²⁾	2.131.189	779.401	1.447.153	2.344.351	23.480.288	10.751.290	41.339.411	82.273.083
Total liabilities	42.986.717	161.312.846	36.460.989	29.741.469	38.028.032	18.932.116	41.536.623	368.998.792
Net liquidity gap	(2.575.846)	(97.328.447)	(11.848.028)	31.904.404	76.020.497	25.303.634	(21.476.214)	-
Net Off-Balance Sheet Position	-	42.887	156.340	(439.636)	(339.511)	787.404	-	207.484
Derivative Financial Assets	-	47.025.111	37.725.739	36.010.798	68.349.465	41.092.130	-	230.203.243
Derivative Financial Liabilities	-	46.982.224	37.569.399	36.450.434	68.688.976	40.304.726	-	229.995.759
Non-Cash Loans	-	4.062.410	8.862.266	31.338.391	15.938.568	5.617.196	26.663.895	92.482.726
Prior Period								
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
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
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	-	200.552.453
Derivative Financial Liabilities	-	49.306.289	19.096.303	30.220.593	67.160.429	35.103.182	-	200.886.796
Non-Cash Loans	-	3.265.182	8.392.810	29.287.149	13.692.780	6.209.335	25.427.495	86.274.751

(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.

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7. 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)	350.971.762	348.184.348
(Asset amounts deducted in determining Tier 1 capital)	(5.693.995)	(5.381.813)
Total on-Balance sheet exposures	345.277.767	342.802.535
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	1.180.789	2.590.381
Potential credit risk of derivative financial instruments and credit derivatives	5.085.349	5.020.774
Total derivative financial instruments and credit derivatives exposure	6.266.138	7.611.155
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	568.168	470.170
Agent transaction exposures	-	-
Total securities financing transaction exposures	568.168	470.170
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	206.994.178	194.678.927
(Adjustments for conversion to credit equivalent amounts)	(16.172.481)	(15.539.409)
Total risk of off-balance sheet items	190.821.697	179.139.518
Capital and total exposure		
Tier 1 capital	39.035.143	34.624.399
Total exposures	542.933.770	530.023.378
Leverage ratio (%)	7,20	6,55

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

8. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of March 31, 2019: 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 classified under, “Derivative financial assets at fair value through profit or loss”; if the fair value is negative, it is classified 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 classified under “Derivative financial assets at fair value through other comprehensive income” if the fair value is negative, it is classified under “Derivative financial liabilities at fair value through other comprehensive income”.

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 March 31, 2019 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap/ Cross currency interest rate swap (CFH)	45.457.433	2.174.748	841.182	46.404.018	3.169.086	611.406
Cross currency interest rate swap (FVH)	1.950.369	-	314.748	1.860.610	-	313.994
Total	47.407.802	2.174.748	1.155.930	48.264.628	3.169.086	925.400

(1) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 46.994.270 (December 31, 2018 – TL 48.175.851) the total notional of derivative financial assets amounting to TL 94.402.072 (December 31, 2018 – TL 96.440.479) 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.

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8.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with “TAS – 39 Financial Instruments: Recognition and Measurement”.

The impact of application of FVH accounting is summarized below:

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

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

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, 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 2.707 gain (March 31, 2018- TL TL 2.400 loss).

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.

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8.2. 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	2.174.748	841.182	1.148.401	(594.903)

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

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 108.099 income (March 31, 2018 – TL – 6.249 income).

At the inception date, the 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.

8.3. 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 March 31, 2019 is EUR 438 million (December 31, 2018 is EUR 430 million).

9. 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.

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

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

The 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.

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(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:

	Retail banking	Corporate and commercial banking	Treasury, asset- liability management and other	Total operations of the Bank
Current Period				
Operating revenue	2.199.421	2.394.411	427.530	5.021.362
Operating expenses	(1.710.896)	(972.894)	(1.042.620)	(3.726.410)
Net operating income / (expense)	488.525	1.421.517	(615.090)	1.294.952
Dividend income ⁽¹⁾	-	-	7.753	7.753
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	224.054	224.054
Profit before tax	488.525	1.421.517	(383.283)	1.526.759
Tax provision expense ⁽¹⁾	-	-	(285.349)	(285.349)
Net period income	488.525	1.421.517	(668.632)	1.241.410
Net profit	488.525	1.421.517	(668.632)	1.241.410
Segment asset	76.668.346	133.005.874	152.289.186	361.963.406
Investments in associates, subsidiaries and joint ventures	-	-	7.035.386	7.035.386
Total assets	76.668.346	133.005.874	159.324.572	368.998.792
Segment liabilities	136.791.478	74.798.523	118.338.907	329.928.908
Shareholders' equity	-	-	39.069.884	39.069.884
Total liabilities	136.791.478	74.798.523	157.408.791	368.998.792

	Retail banking	Corporate and commercial banking	Treasury, asset- liability management and other	Total operations of the Bank
Prior Period⁽²⁾				
Operating revenue	1.360.950	962.869	1.358.433	3.682.252
Operating expenses	(1.235.439)	(312.132)	(786.321)	(2.333.892)
Net operating income / (expense)	125.511	650.737	572.112	1.348.360
Dividend income ⁽¹⁾	-	-	2.598	2.598
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	210.868	210.868
Profit before tax	125.511	650.737	785.578	1.561.826
Tax provision expense ⁽¹⁾	-	-	(317.778)	(317.778)
Net period income	125.511	650.737	467.800	1.244.048
Net profit	125.511	650.737	467.800	1.244.048
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

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

(2) Income statement items represent balances as of 31 March 2018.

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(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	1.441.962	3.879.728	1.443.281	3.340.678
The CBRT ⁽¹⁾	1.225.677	37.867.387	15.313.011	35.417.868
Other	-	98	-	56
Total	2.667.639	41.747.213	16.756.292	38.758.602

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

1.1.2. Information on the account of the CBRT:

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

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

(2) The 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, 2018 - None).

1.3. Information on derivative financial assets:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	748.238	-	941.170	-
Swap transactions	4.970.158	719.115	3.904.322	641.773
Futures transactions	-	-	-	-
Options	325.974	49.076	256.107	47.662
Other	-	-	-	-
Total	6.044.370	768.191	5.101.599	689.435

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⁾	2.006.755	167.993	2.869.353	299.733
Hedges for investments made in foreign countries	-	-	-	-
Total	2.006.755	167.993	2.869.353	299.733

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	3.643.363	143.312	13.311	-
Foreign	6.666	7.966.237	5.986	1.658.987
Head quarters and branches abroad	-	-	-	-
Total	3.650.029	8.109.549	19.297	1.658.987

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

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

As of March 31, 2019 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.511.852 (31 December 2018 - 1.292.400 TL),subject to repo transactions amounts to TL 1.106.321 (31 December 2018 - 959.438 TL).

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

	Current Period		Prior Period
	TP		TP
Debt securities	28.951.716		27.758.411
Quoted on stock exchange ⁽¹⁾	28.670.295		27.495.268
Not quoted	281.421		263.143
Share certificates	58.810		55.935
Quoted on stock exchange	-		-
Not quoted	58.810		55.935
Impairment provision (-) ⁽²⁾	1.766.362		1.153.847
Total	27.244.164		26.660.499

(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 classified from financials assets at fair value through other comprehensive income to financial assets measured at amortised cost.

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

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the 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	162.305	1.265.689	90.240	1.351.956
Loans granted to employees	174.243	55	170.708	52
Total	336.548	1.265.744	260.948	1.352.008

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	186.162.900	29.372.775	2.527.477	4.480.690
Loans given to enterprises	89.928.847	24.567.671	1.088.506	2.279.938
Export loans	9.702.392	471.457	44.001	82.240
Import loans	-	-	-	-
Loans given to financial sector	3.702.704	-	-	-
Consumer loans	30.325.095	1.374.813	-	865.507
Credit cards	25.518.995	1.253.220	-	641.515
Other ⁽¹⁾	26.984.867	1.705.614	1.394.970	611.490
Specialized loans	-	-	-	-
Other receivables	114.496	-	-	-
Total	186.277.396	29.372.775	2.527.477	4.480.690

(1) Fair value differences of the hedged item amounting to TL 19,500 income are classified in other loans as explained in Note 8, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.165.416	-
Significant increase in credit risk	-	4.062.971
Total	1.165.416	4.062.971

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

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	552.072	29.918.498	30.470.570
Real estate loans	3.396	11.839.857	11.843.253
Automotive loans	31.597	514.643	546.240
Consumer loans	517.079	17.563.998	18.081.077
Consumer loans-FC indexed	-	16.891	16.891
Real estate loans	-	16.891	16.891
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	18.368.154	728.251	19.096.405
With installments	8.820.061	246.154	9.066.215
Without installments	9.548.093	482.097	10.030.190
Individual credit cards-FC	22.323	-	22.323
With installments	-	-	-
Without installments	22.323	-	22.323
Personnel loans-TL	7.905	62.361	70.266
Real estate loans	-	2.044	2.044
Automotive loans	74	312	386
Consumer loans	7.831	60.005	67.836
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	101.336	284	101.620
With installments	47.620	205	47.825
Without installments	53.716	79	53.795
Personnel credit cards-FC	572	-	572
With installments	-	-	-
Without installments	572	-	572
Credit deposit account-TL (real person)⁽¹⁾	2.007.688	-	2.007.688
Total	21.060.050	30.726.285	51.786.335

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

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

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

1.7.5. Distribution of domestic and foreign loans:

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

	Current Period	Prior Period
Domestic loans	219.855.487	209.869.373
Foreign loans	2.802.851	2.781.572
Total	222.658.338	212.650.945

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1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	543.769	501.490
Indirect loans granted to associates and subsidiaries	-	-
Total	543.769	501.490

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

	Current Period	Prior Period
Loans with limited collectibility	607.079	1.131.764
Loans with doubtful collectibility	2.303.572	1.680.918
Uncollectible loans	6.529.543	6.041.620
Total	9.440.194	8.854.302

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

1.7.8.1 Information on restructured loans from non-performing loans:

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

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

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Prior Period	2.744.681	2.670.841	6.964.335
Additions (+)	1.154.738	118.758	200.919
Transfers from other categories of non- performing loans (+)	-	2.651.028	1.150.846
Transfer to other categories of non- performing loans (-)	2.651.028	1.150.846	-
Collections (-)	88.308	113.885	201.758
Write-offs (-)	-	-	242
Sold (-)	-	-	396.329
Corporate and commercial loans	-	-	85.942
Consumer loans	-	-	166.933
Credit cards	-	-	143.454
Other	-	-	-
Current Period	1.160.083	4.175.896	7.717.771
Specific provision (-)	607.079	2.303.572	6.529.543
Net balance on balance sheet	553.004	1.872.324	1.188.228

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	115.295	1.951.680	1.463.455
Specific provision (-)	36.108	1.051.394	1.086.855
Net balance on-balance sheet	79.187	900.286	376.600
Prior 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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	553.004	1.872.324	1.188.228
Loans granted to real persons and corporate entities (gross)	1.160.083	4.175.896	7.604.600
Provision amount (-)	607.079	2.303.572	6.416.372
Loans granted to real persons and corporate entities (net)	553.004	1.872.324	1.188.228
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans (Net)	-	-	-
Prior Period (net)	1.612.916	989.923	922.716
Loans granted to real persons and corporate entities (gross)	2.744.680	2.670.841	6.851.165
Specific 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
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

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

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

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

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

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1.7.10. Explanation on "Write-off" policies:

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

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

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

As of March 31, 2019 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 12.256.045 (31 December 2018 - 9.329.007). Subject to repo transactions amounting to TL 1.707.277 (31 December 2018 – 747.761).

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

	Current period	Prior period
Government bond	23.120.553	21.675.166
Treasury bill	-	-
Other public sector debt securities	-	-
Total	23.120.553	21.675.166

1.8.3. Information on financial assets measured at amortized cost:

	Current period	Prior period
Debt securities	23.839.581	22.316.207
Quoted on stock exchange	23.839.581	22.316.207
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	719.028	641.041
Total	23.120.553	21.675.166

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

	Current period	Prior period
Beginning balance	21.675.166	13.030.911
Foreign currency differences on monetary assets ⁽¹⁾	726.291	4.513.802
Purchases during the year	867.912	3.674.945
Transfers ⁽²⁾	-	1.998.350
Disposals through sales and redemptions	70.829	1.279.600
Impairment provision (-) ⁽³⁾	77.987	263.242
Period end balance	23.120.553	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 classified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost" in the prior period.

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

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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
19.838.227	2.849.948	23.292	118.530	14.602	42.542	67.050	-
342.784	211.006	206.138	16.750	-	41.206	44.498	-
117.093	64.965	56.060	3.632	-	15.953	9.004	-

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

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	790.241	533.887
Movements during the period	46.302	256.354
Purchases	-	-
Free shares obtained profit from current year's share	-	1.598
Profit from current year's income	13.047	65.057
Sales(-)	-	-
Revaluation (decrease) / increase ⁽¹⁾	48.907	201.521
Impairment provision (-) ⁽²⁾	15.652	11.822
Balance at the end of the period	836.543	790.241
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.

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

	Current Period	Prior Period
Banks	830.442	784.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	830.442	784.140

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

None (December 31, 2018 - 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.

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

The above information is based on the consolidated financial statements of the Bank as of March 31, 2019.

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.

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 Niderland	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

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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	Non marketable securities portfolio	Income	Current period profit / loss	Prior period profit / loss	Market value	Required equity
1	233.917	233.663	-	-	-	-	128	(304)	-	-
2	4.366.847	462.408	53.633	41.160	5.662	-	56.279	46.062	-	-
3	3.062.707	338.012	6.874	110.443	-	-	30.951	26.571	-	-
4	13.169.282	2.275.492	13.522	250.242	-	-	90.120	95.270	-	-
5	54.486	42.620	1.702	3.936	-	-	8.374	9.644	-	-
6	10.874.383	2.369.986	9.011	139.337	4.113	-	47.878	37.531	-	-
7	1.335.212	291.127	70.590	19.060	2.401	-	4.388	5.559	-	-
8	46.276	32.578	4.830	1.333	-	-	1.291	697	-	-
9	46.739	30.565	1.602	1	-	-	2.710	5.583	-	-
10	16.147	12.641	886	1.617	-	-	4.267	745	-	-

1.10.4. Movement schedule of subsidiaries:

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

(1) Includes the differences in the other comprehensive income of consolidated subsidiaries 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 in the prior period.

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

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

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

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2018 - 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	93.761	77.275	23.881	69.880	8.534	11.394	12.057
Total			93.761	77.275	23.881	69.880	8.534	11.394	12.057

1.12. Information on lease receivables (net):

None (December 31, 2018 - None).

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1.13. Information on investment property:

None (December 31, 2018 - None).

1.14. Information on deferred tax asset :

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 676.253 is presented in the financial statements (December 31,2018 – TL 569.635 deferred tax assets).

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

	Current Period	Prior Period
Net book value at the beginning of the period	288.349	202.019
Additions	49.285	158.125
Disposals (-), net	23.709	73.067
Impairment provision reversal	3	1.450
Depreciation (-)	-	178
Net book value at the end of the period	313.928	288.349
Cost at the end of the period	322.608	297.286
Accumulated depreciation at the end of the period (-)	8.680	8.937
Net book value at the end of the period	313.928	288.349

As of March 31, 2019, the Bank booked impairment provision on assets held for resale with an amount of TL 4.686 (December 31, 2018 - TL 4.689).

1.16. Information on other assets:

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

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	7.237.447	15.902.245	26.316.140	1.794.765	1.356.432	962.517	1.332	53.570.878
Foreign currency deposits	21.741.151	22.541.445	63.129.238	4.944.443	3.765.063	3.876.958	-	119.998.298
Residents in Turkey	21.383.096	22.391.565	61.392.154	4.423.027	2.333.304	769.988	-	112.693.134
Residents abroad	358.055	149.880	1.737.084	521.416	1.431.759	3.106.970	-	7.305.164
Public sector deposits	655.639	103	9.973	460	84	24	-	666.283
Commercial deposits	7.431.821	12.746.970	7.566.697	614.437	950.840	79.474	-	29.390.239
Other institutions deposits	124.247	155.953	1.575.469	78.384	1.118.489	49.219	-	3.101.761
Precious metals vault	1.521.539	159.538	408.870	62.351	95.532	30.143	-	2.277.973
Bank deposits	1.128.473	1.700.057	1.177.642	168.047	27.888	4.439	-	4.206.546
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	41.348	1.683.822	537.963	168.047	27.888	4.439	-	2.463.507
Foreign banks	200.900	16.235	639.679	-	-	-	-	856.814
Participation banks	886.225	-	-	-	-	-	-	886.225
Other	-	-	-	-	-	-	-	-
Total	39.840.317	53.206.311	100.184.029	7.662.887	7.314.328	5.002.774	1.332	213.211.978

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	6.649.057	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

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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:

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	25.873.333	26.735.693	27.697.534	29.409.467
Foreign currency saving deposits	11.319.167	8.820.032	41.849.248	35.161.445
Other deposits in the form of saving deposits	1.000.019	807.367	1.058.516	822.760
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	10.094	9.744
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	449.918	284.591
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	146.040	-	143.108	-
Swap transactions	4.260.299	1.401.960	5.140.123	774.199
Futures transactions	-	-	-	-
Options	301.204	44.209	248.837	49.638
Other	-	-	-	-
Total	4.707.543	1.446.169	5.532.068	823.837

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

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

(1) Explained in Note 8 of section 4

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	285.536	210.684	261.574	228.605
From foreign banks, institutions and funds	18.032	33.555.432	10.117	36.849.042
Total	303.568	33.766.116	271.691	37.077.647

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2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	303.568	2.970.440	271.691	8.065.386
Medium and long-term	-	30.795.676	-	29.012.261
Total	303.568	33.766.116	271.691	37.077.647

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	-	15.480.128	-	11.470.206
From foreign funds	-	-	-	-
Total	-	15.480.128	-	11.470.206

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 March 31, 2019, the total amount of financial liabilities classified as fair value through profit/loss is TL 11.838.126 (December 31, 2018 –TL 7.965.404) with an accrued interest income of TL 970.601 (December 31, 2018 - TL 413.597 income) and with a fair value difference of TL 566.553 recognized in the expense statement as an income (December 31, 2018 - TL 566.340 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of March 31, 2019 are TL 12.527.307 (December 31, 2018 - TL 8.115.956) for buy legs and TL 12.527.307 (December 31, 2018 - TL 8.115.956) for sell legs with a fair value differences amounting to TL 880.597 liability (December 31, 2018 - TL 346.698 liability). The mentioned total return swaps have 8 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	2.079.417	-	1.373.498	-
Bills ⁽¹⁾	1.716.907	17.343.804	1.305.384	13.706.130
Total	3.796.324	17.343.804	2.678.882	13.706.130

(1) Including mortgage backed securities amounting to TL 1.613.540 as of March 31, 2019 (December 31, 2018 – 1.218.736 TL).

2.4. Information on other liabilities:

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

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2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

	Current Period ⁽¹⁾		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	307.305	177.978	90	85
Between 1 – 4 years	634.913	367.945	138	134
More than 4 years	552.816	320.109	-	-
Total	1.495.034	866.032	228	219

(1) The Bank has adopted TFRS 16 standard as of January 1, 2019. As an opening balance, TL 801.061 is recognised as "lease payables".

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

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

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

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

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.017,60 effective from 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	450.207	391.760
Changes during the period	16.123	61.985
Recognized in equity	-	51.323
Paid during the period	(20.593)	(54.861)
Balance at the end of the period	445.737	450.207

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 222.604 as of March 31, 2019 (December 31, 2018 - TL 207.905).

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

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

2.6.3. Other provisions:

2.6.3.1. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	921.350	921.350
Provisions on unindemnified non cash loans	732.519	762.204
Generic provisions on non cash loans	163.879	103.165
Provision on lawsuits	79.604	79.009
Provisions on credit cards and promotion campaigns related to banking services	52.966	53.726
Other	769.208	730.091
Total	2.719.526	2.649.545

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2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	57.206	653.788
Taxation of Marketable Securities	239.978	162.568
Property Tax	4.434	3.290
Banking Insurance Transaction Tax ("BITT")	143.795	161.020
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	8.665	13.797
Other	84.940	50.678
Total	539.018	1.045.141

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	29.568	20.558
Bank pension fund premiums – employer	40.992	21.210
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	2.111	1.467
Unemployment insurance – employer	4.221	2.935
Other	-	-
Total	76.892	46.170

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

None (December 31, 2018 - None).

2.9. Information on subordinated debt⁽¹⁾:

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

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

(2) 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.

(3) 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.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

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

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(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:

None.(31 December 2018 – 4.100.000 TL.)

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

None (December 31, 2018 - None).

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

None (December 31, 2018 - None).

2.10.6. Information on prior period's indicators on the 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, 2018 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	750.884	2.698.686	741.942	2.503.109
Revaluation difference ⁽¹⁾	750.884	436.220	741.942	435.592
Foreign currency difference ⁽¹⁾	-	2.262.466	-	2.067.517
Financial assets at fair value through other comprehensive income	(2.118.732)	(330.745)	(1.486.592)	(261.418)
Revaluation difference ⁽²⁾	(2.118.732)	(330.745)	(1.486.592)	(261.418)
Foreign currency differences	-	-	-	-
Total	(1.367.848)	2.367.941	(744.650)	2.241.691

(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.

2.10.9. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 4,667,426 as of December 31, 2018, in accordance with the General Assembly dated March 18, 2019 as follows: TL 233,371 to be transferred to legal reserves and the remaining TL 4,434,055 to be transferred to extraordinary reserves.

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(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	37.050.811	35.189.895
Loan granting commitments	13.060.972	12.360.621
Commitments for cheques	3.591.570	2.990.824
Other irrevocable commitments	49.876.252	15.267.507
Total	103.579.605	65.808.847

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 163.879 (December 31, 2018 - TL 103.165) and specific provision amounting to TL 1.170.098 (December 31, 2018 - TL 1.079.128) for non-cash loans which are not indemnified yet amounting to TL 732.519 (December 31, 2018 - 762.204).

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

	Current Period	Prior Period
Bank acceptance loans	175.378	200.915
Letter of credits	12.704.397	10.716.784
Other guarantees and collaterals	8.650.709	7.923.230
Total	21.530.484	18.840.929

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.721.342	1.300.681
Definite letter of guarantees	40.939.066	40.096.087
Advance letter of guarantees	11.847.769	11.055.173
Letter of guarantees given to customs	2.814.742	2.442.000
Other letter of guarantees	13.629.323	12.539.881
Total	70.952.242	67.433.822

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	13.063.610	11.989.428
With original maturity of 1 year or less than 1 year	3.230.565	2.376.215
With original maturity of more than 1 year	9.833.045	9.613.213
Other non-cash loans	79.419.116	74.285.323
Total	92.482.726	86.274.751

3.2 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 79.604 (December 31, 2018 - TL 79.009) 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.

3.3 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

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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⁾	2.313.389	95.202	1.519.280	42.259
Medium/long-term loans ⁽¹⁾	2.921.619	1.592.360	2.455.451	1.023.473
Interest on loans under follow-up	243.795	-	113.979	-
Premiums received from resource utilization support fund	-	-	-	-
Total	5.478.803	1.687.562	4.088.710	1.065.732

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

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	16.100	-	120.295	-
From domestic banks	81.190	418	6.037	89
From foreign banks	1.115	57.176	378	7.127
Headquarters and branches abroad	-	-	-	-
Total	98.405	57.594	126.710	7.216

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	735	1.161	6.409	325
From financial assets at fair value through other comprehensive income	840.724	56.313	605.974	37.395
From financial assets measured at amortised cost	445.583	81.037	190.589	83.022
Total	1.287.042	138.511	802.972	120.742

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	11.772	15.479
Total	11.772	15.479

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	9.104	574.062	9.733	349.023
The CBRT	-	-	-	273
Domestic banks	8.159	1.597	2.721	885
Foreign banks	945	572.465	7.012	347.865
Headquarters and branches abroad	-	-	-	-
Other institutions	-	161.298	-	73.892
Total ⁽¹⁾	9.104	735.360	9.733	422.915

(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	26.952	35.281
Total	26.952	35.281

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

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	141.788	216.728	92.571	148.089
Total	141.788	216.728	92.571	148.089

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit						Total	Prior Period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Accumulating deposit		
TL									
Bank deposits	713	50.025	19.210	-	-	390	-	70.338	76.777
Saving deposits	-	317.060	1.634.509	309.462	73.259	46.214	55	2.380.559	1.275.435
Public sector deposits	-	13	466	24	3	1	-	507	166
Commercial deposits	8	340.286	480.780	67.274	55.523	3.310	-	947.181	591.501
Other deposits	-	16.679	155.798	13.138	59.363	2.038	-	247.016	158.678
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	721	724.063	2.290.763	389.898	188.148	51.953	55	3.645.601	2.102.557
FC									
Foreign currency deposits	28	78.558	517.857	42.240	32.956	9.421	-	681.060	470.522
Bank deposits	766	4.770	258	-	-	-	-	5.794	19.029
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	312	540	89	333	40	-	1.314	813
Total	794	83.640	518.655	42.329	33.289	9.461	-	688.168	490.364
Grand total	1.515	807.703	2.809.418	432.227	221.437	61.414	55	4.333.769	2.592.921

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

	Current Period	Prior Period
Gain	21.862.857	11.823.495
Gain from capital market transactions	77.736	53.469
Derivative financial transaction gains	8.335.568	5.358.783
Foreign exchange gains	13.449.553	6.411.243
Loss (-)	21.884.843	12.263.927
Loss from capital market transactions	14.019	12.182
Derivative financial transaction losses	6.927.635	4.854.748
Foreign exchange loss	14.943.189	7.396.997
Net gain/loss	(21.986)	(440.432)

4.4 Allowance for expected credit losses and other provision expenses:

	Current Period	Prior Period
Allowance for expected credit losses	1.898.265	813.329
12-month expected credit losses (Stage 1)	125.084	153.122
Significant increase in credit risk (Stage 2)	396.601	70.684
Credit-Impaired (Stage 3)	1.376.580	589.523
Impairment provisions for financial assets	-	1
Financial assets at fair value through profit or loss	-	1
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	213.247	145.145
Total	2.111.512	958.475

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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 1.764.394 (December 31, 2018 – TL 1.018.682 gain).

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. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	-	2.287
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	102.829	42.006
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	32.851	23.206
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	533.445	520.614
IFRS 16 exempt lease expenses	15.022	78.175
Repair and maintenance expenses	25.484	23.455
Advertising expenses	28.941	45.702
Other expense	463.998	373.282
Loss on sales of assets	143	-
Other	199.319	169.904
Total	868.587	758.017

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

The profit before tax includes 3.356.422 (March 31, 2018 – TL 2.767.631) of net interest income, TL 1.283.472 (December 31, 2018 – TL 986.131) of net fees and commissions and personnel expenses amounting to TL 746.311 (December 31, 2018 – TL 617.400) and other operating expense amounting to TL 868.587 (31 March 2018 – TL 758.017).

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

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

As of March 31, 2019, None. (December 31, 2018 – TL None.) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 285.349 (December 31, 2018 – TL 317.778 deferred tax income).

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

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

4.10.2. The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

4.11. Other items in income statement:

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

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5. Explanations and notes related to the Bank's risk group

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

5.1.1. 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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Balance at the end of the period	543.769	221.309	798.169	1.265.689	4.294.876	4.327.572
Interest and commission income received ⁽³⁾	11.772	985	10.230	1.977	133.270	7.954

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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group ⁽¹⁾⁽²⁾						
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 ⁽³⁾	15.479	741	7.749	1.799	75.574	4.486

(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.

(3) Prior Period included profit / loss information of March 31,2018.

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

Bank's risk group	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
Bank's risk group ⁽¹⁾⁽²⁾						
Deposit						
Beginning of the period	2.798.132	3.193.655	32.464.212	23.274.293	21.548.350	17.865.257
End of the period	2.527.169	2.798.132	28.114.092	32.464.212	26.449.505	21.548.350
Interest expense on deposits ⁽³⁾	26.952	35.281	608.667	413.953	343.610	213.645

(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.

(3) Prior Period included profit / loss information of March 31,2018.

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

Bank's risk group	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
Bank's risk group ⁽¹⁾						
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	4.977.495	6.825.457	3.330.535	4.585.782	983.564	3.688.054
End of the period ⁽²⁾	3.663.191	4.977.495	3.346.602	3.330.535	1.952.102	983.564
Total profit / (loss) ⁽³⁾	1.089	39.287	(23.993)	62.208	(18.118)	(904)
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	1.456.586	1.375.186	-	-
End of the period ⁽²⁾	-	-	766.639	1.456.586	-	-
Total profit / (loss) ⁽³⁾	-	-	41.639	49.579	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

(3) Prior Period included profit / loss information of March 31,2018.

5.1.4 Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 33.690 as of March 31, 2019 (December 31, 2018 – TL 22.989).

6. Explanations and notes related to subsequent events:

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

Section Six - Explanations on independent audit report

1. Explanations on independent auditor's report

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

2. Explanations and notes prepared by independent auditor

None.

Section Seven⁽¹⁾

Interim activity report

1. Message from YapıKredi’s Board of Directors Chairman Y. Ali Koç:

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

In the first quarter of the year, total loans in the banking sector reached TL 2,436 billion indicating 5.4% year-to-date growth, with the help of ongoing support from the Credit Guarantee Fund. During the same period, total deposits reached TL 2,179 billion, indicating 7.8% year-to-date growth. Accordingly, sector’s loan to deposit ratio including TL bonds improved by 2.5 pp year-to-date reaching to 112% in the first quarter of 2019. The banking sector’s non-performing loan ratio deteriorated 27 basis points year-to-date to 4.0% despite the support of non-performing loan sales of TL 1,056 billion (4 basis points impact).

Within the scope of the capital strengthening plan announced in May 2018 Yapı Kredi has successfully completed the issuance of AT-1 worth of 650 million USD in January 2019 following the 4.1 billion TL worth of rights issue in June 2018. This transaction marked the first-ever capital that was raised by a Turkish deposit bank through the issuance of USD-denominated bonds with market participation. The transaction once again confirmed the confidence of the main shareholders and international investors in Yapı Kredi and in our country.

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

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

Y. Ali Koç
Chairman of the Board

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

2. Message from Yapı Kredi’s CEO Gökhan Erün:

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

In the first quarter of the year, with the controlled growth resulting in a sustainable revenue generation, further focus on cost control and proactive asset quality approach, the Bank’s total assets increased to TL 369,0 billion and net income recorded at TL 1,241 million.

Yapı Kredi’s strong liquidity, mainly in the foreign currency with a three month average total liquidity coverage ratio at 149% level (FC at 357%), continued to support the Bank’s balance sheet in case of further possible volatilities.

Supported by the additional Tier-1 issuance of USD 650 million in January 2019 and ongoing internal capital generation, unconsolidated capital adequacy ratio improved by 13 basis points to 16.2% and Tier-1 ratio improved by 73 basis points to 13.2% despite the negative impacts arising from the macro volatility as well as one time impact of the operational risk adjustment.

In terms of performing cash loans, Yapı Kredi recorded 5% growth year-to-date reaching to TL 222.5 billion indicating 16.9% market share (+25 bps ytd) among private banks. Growth was driven by TL loans which was mainly supported by CGF and the Bank continued to support companies and exporters. At the same time, the Bank maintained its leadership position in credit cards with 20.9% outstanding volume market share.

In the first quarter of 2019, in terms of funding, the Bank recorded 8% customer deposit growth year-to-date driven by FX deposits, reaching to TL 209.0 billion indicating 16.0% market share (+11 bps increase) among private banks. In line with its strategic targets, the Bank increased its individual TL deposit market share by 47 bps to 14.2% and TL demand deposit market share by 89 bps to 15.0% supporting its cost of funding. The growth in deposits materialized above loan growth. As a result loans to deposits ratio including TL bonds reached to 103%, implying a 1 percentage point improvement since the end of 2018.

Digitalization remained a strong focus area for Yapı Kredi. As “The Digital Bank of Turkey”, share of digital channels in non-cash transactions stands at 96%. Moreover, in the past one year, number of digital customers increased by 1.0 million to 5.7 and mobile banking customers increased by 1.1 million to 5.0 million.

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

Gökhan Erün
CEO

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

3. Overview of Financial Performance:

On 2 May 2019, Yapı Kredi announced its consolidated results for the first three months of 2019 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 315.0 billion while total deposits rose to TL 213.2 billion. The Bank's net income reached TL 1,241 million indicating a return on average tangible equity of 13.3%.

Local currency driven loan growth with a solid liquidity

In the first quarter, The Bank achieved 5% year-to-date growth in loans to TL 222.5 billion, mainly driven by TL loans along with CGF support which was above the private banks' growth of 3% in the same period. During the same period, the Bank's customer deposit growth was above the loan growth at 8% year-to-date and reached TL 209.0 billion. Deposit growth was mainly driven by FX denominated customer deposits. Also, the Bank increased its individual TL deposit market share by 47 bps to 14.2% and TL demand deposit market share by 89 bps to 15.0% within the scope of focusing on small tickets in deposit gathering. Accordingly, loan-to-deposits plus TL bonds ratio improved by 1 pp to 103%. Following the volatile period during the second half of 2018, Yapı Kredi continued to maintain its well-positioned liquidity levels. Accordingly, the Bank's total and FC liquidity coverage ratios realised at 149% and 357%, respectively.

Prudent and conservative asset quality approach

In the first quarter of 2019, Yapı Kredi maintained its precautionary approach in terms of asset quality. During this period, Yapı Kredi sold a non-performing loan portfolio of TL 396 million in principal amount (-16 bps NPL ratio impact) within the scope of continued active stock management. Hence, the NPL ratio materialized at 5.5%. Accordingly, cost of risk (adjusted for hedged FX impact) improved by 8 bps to 271 basis points year-to-date. With the ongoing conservative provisioning approach of Yapı Kredi, provisions to gross loans further increased to 6.2%.

Strong capital ratios through AT-1 issuance and ongoing internal capital generation In the first quarter of In the first quarter of 2019, despite the negative impact coming from the market volatility and one time impact at the operational risk, the capital ratios of the Bank supported through AT-1 issuance and ongoing internal capital generation. Hence, consolidated Capital Adequacy Ratio, Tier-1 ratio and Common Equity Tier-1 ratio realised at 16.2%, 13.2% and 11.9%, respectively.

Solid top-line within conservative asset quality approach and liquidity

In the first quarter of 2019, Yapı Kredi increased its core banking revenues by 24% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, the past through impact of the high inflation level of 2018 was kept under control by continued discipline in cost management, resulting in a cost growth of 17% below inflation of 19.7%. Cost-to-income ratio (income adjusted for trading income to hedge FC ECL and collections, cost adjusted for pension fund provision) improved by 67 pp year-over-year to 34.3%. Despite the improvement in core spreads, NIM contracted due to the significant decline in contribution of the CPI linked securities, as the Bank uses October to October inflation of 12% for the valuation of its CPI linked securities (2018 realization: 25.2%). All in all, the Bank achieved a net income of TL 1.241 million and 13.3% return on average tangible equity.

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

4. Summary of Unconsolidated Financials

TL million	31.03.2019	31.12.2018
Total Assets	368.999	348.044
Performing Loans	222.544	212.556
Total Deposits	213.212	202.549
Shareholder's Equity	39.070	39.003
Loans / Assets	60%	61%
Deposits / Assets	58%	58%
NPL	5,5%	5,5%
CAR	16,2%	16,1%

TL million	30.09.2018	30.09.2017
Net Profit	1.241	1.244
Return on Average Tangible Equity	13,3%	17,0%

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

- In January 2019, the Bank completed an additional Tier-1 issuance of USD 650 million.
- On 7 February 2019, YapıKredi successfully priced a 5.5 year US\$ 500 million Eurobond benchmark transaction.
- On 19 March 2019, Yapı Kredi sold non-performing loan portfolio amounting to TL 396 million. The transaction was reflected in Yapı Kredi's 1Q19 financials.
- On 18 April 2019, Yapı Kredi sold non-performing loan portfolio amounting to TL 529 million. The transaction will be reflected in Yapı Kredi's 2Q19 financials.

6. Current Trends and Expectations for the Upcoming Period:

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

2019 Yapı Kredi Expectations:

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