Yapı Kredi 2018 Annual Report

CONTENTS

ANNUAL SHAREHOLDERS' MEETING AGENDA

18 March 2019 Annual Shareholders' Meeting Agenda

1. Opening and election of the Chairman of the Meeting,
2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to the activities of the year 2018 and consideration and approval of the Annual Activity Report and Financial Statements for the year 2018,
3. Clearing of members of the Board of Directors of liability related to activities of the Bank during the year 2018,
4. Approval of transactions regarding liquidation by sale of some Bank receivables that are being followed up on nonperforming loans accounts and to clear Board members regarding these transactions,
5. Determining the number and the term of office of the Board members, electing members of the Board of Directors and independent members of the Board of Directors,
6. Submitting according to Corporate Governance Principles the Remuneration Policy for the Members of Board of Directors and Senior Managers, and the payments made within the scope of the Policy to the shareholders' knowledge and approval of the same,
7. Determining the gross attendance fees for the Members of the Board of Directors,
8. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the Profit Distribution for the year 2018 created as per the Bank's dividend distribution policy,
9. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the Regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,
10. Submitting according to the regulations of the Capital Markets Board the donations and charities made by the Bank in 2018 to foundations and associations with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations to be made in 2019 in line with the Banking legislation and the regulations of the Capital Markets Board,
11. Granting permission to the shareholders holding the management control, the members of the Board of Directors, the senior managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during the year 2018 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
12. Wishes and comments.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. Opinion

We have audited the annual report of Yapı ve Kredi Bankası A.Ş. (the "Bank") and its subsidiaries for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 1 February 2019 on the full set consolidated and unconsolidated financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of article 397 of the TCC, Communique and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

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

Halûk Yalçın, SMMM

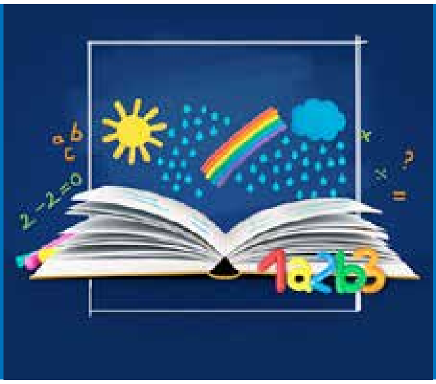
Istanbul, 22 February 2019

YAPI KREDİ
CORPORATE SOCIAL RESPONSIBILITY PROJECTS

yapikredikss.com.tr

"Corporations, as large as ours, have two tasks. One is related to its areas of activity, second is related to society. We chose culture and arts. For this reason, we are the bank of culture and arts."

Kâzım Taşkent, 1944



In line with our "Dedication to Deliver" approach we aim to generate value outside the scope of our commercial activities not only for the society we operate in but for entire humanity. Through our products and services, we are contributing to financial development of society as well as the economy, while also developing and implementing corporate social responsibility projects that are in line with our operational areas and that we can integrate to our business processes. In addition to our economic and environmental responsibilities we have taken on with corporate citizenship consciousness, we are continuing to focus on education, culture and arts in the social area. By extending financial and voluntary human resources support, we make an effort to accomplish sustainable development goals within the society we live in.

The concept of being the "Bank of Culture and Arts", which is an example of corporate innovation of its era and has become an integral part of our corporate culture, has enabled us to determinedly continue with our activities in this area and to become a role model regarding culture and arts in the banking industry.

The process started with the establishment of culture-art consultancy of a private sector institution for the first time continued with the publication "Doğan Kardeş" magazine, which is still in memory. We have combined our activities in this field with Yapı Kredi Culture Arts and Publishing Inc. which we established in 1992 under a corporate structure.

Education is one of our major fields of activity and we are determined to maintain our support in this area. We intend to reach as many children as possible while implementing various projects that would help them turn into environmentally and socially conscious individuals. To this end, we aspire to raise creative individuals who can freely express themselves in every setting in written and verbal manner, who can comprehend and interpret what they read and listen, who have developed reading habits and who enjoys extensive vocabulary knowledge.

CULTURE & ARTS

- Yapı Kredi Culture Arts and Publishing
- From Earth to Eternity: Çatalhöyük
- Afife Theater Awards
- Aphrodisias Excavations

EDUCATION

- Science Movement
- I Read, I Play
- Colorful Pens
- Vadaa's Support for Education
- For My Country Fund
- Anatolian Scholarships
- Yapı Kredi Vocational Highschool for Girls

As Yapı Kredi, in order to minimize our environmental impact, in all our activities we take steps to;

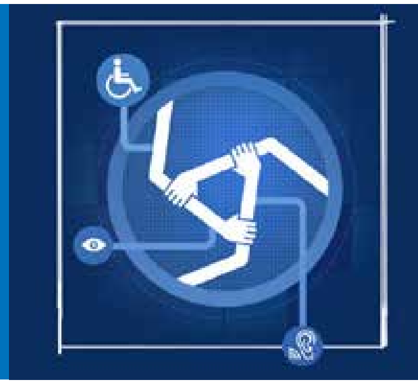
- *Preserve natural resources and minimize our environmental impact,*
- *Prevent as much as possible the formation of waste and to ensure recycling,*
- *Raise awareness and sensitivity on environment among our employees and the public.*

We manage our environmental impact with respect to climate change through the projects we finance, we decrease our environmental effect through our pioneering approach in digital banking, and we adopt the principle of creating sustainable value in our procurement processes as well.

Every year, we share our environmental performance with stakeholders via publicly disclosed sustainability reports.

ENVIRONMENT

- Turkey's Soul Project WWF
- Recycling Movement
- Forestation Efforts
- Earth Hour



In line with Yapı Kredi's "Dedication to Deliver" approach, in 2008 we launched Enabled Banking Program, to ensure that disabled citizens have access to financial services.

As part of this project, we continue to restructure our services and products, while making our points of service at our branches and ATMs are accessible by the disabled citizens.

With the supportive project launched by Yapı Kredi Publications (YKY) for the visually impaired, we are converting YKY's books into digital format so that visually impaired citizens can enjoy them free of charge; we are employing disabled people with the Home Agent project, and also provide sign language training to our volunteer employees.

BARRIER-FREE BANKING

- Enabled Banking Program

YAPI KREDİ Gönüllüleri

As Yapı Kredi, on one hand we add value to society with our consciousness about our societal responsibilities, on the other hand we encourage our employees to take part in voluntary works as part of being a responsible citizen, and create suitable environment.

As of today, Yapı Kredi Volunteers Platform continues its efforts through countless voluntary projects. Our long term goal is to expand the awareness of volunteering and the scope of voluntary works with in Yapı Kredi family.

At the Yapı Kredi Volunteer Platform, many employees of Yapı Kredi are supporting projects voluntarily.

VOLUNTEERING

- Activities of Yapı Kredi Volunteers
- Science Movement
- Blood Donation Saves Lives
- Gift Matching Program
- Charity Runs

SCIENCE MOVEMENT

Yapı Kredi Volunteers

Yapı Kredi employees who want to add value to the society are supporting various social responsibility projects as "Yapı Kredi Volunteers."

Young Guru Academy (YGA)

It is an international non-profit organization founded in Turkey in 2000. It raises conscious and qualified people, who we call the "double-winged". People of the YGA develop world class innovations to solve problems. They also function as role models with the collaboration culture they create meanwhile.

Science Migration to Anatolia, a social development project launched by the Young Guru Academy (YGA) to get children to love science, has reached children who are under the protection of the state. This project was renamed to "Science Movement" by expanding its scope to the children in rural schools.

Inspired by Aziz Sancar, the Noble-winning scientist who was born in Savur, Mardin and raised in a crowded household, this project aims to make children who grow as strangers to science and technology, love science and access technology.

YGA and Yapı Kredi Volunteers are making experiments and working on projects in science sessions to show children that seemingly complex technologies are actually quite simple.

With no one saying "Do not touch it, you'll get an electric shock!", children are using magnets to create their own circuits with easily combining electronic modules, which means they are taking their first steps towards real projects such as autonomous cars, room alarms and reading lights..

During these science sessions, YGA and Yapı Kredi Volunteers are also sharing with children their knowledge of self confidence, intellectual curiosity, having a clear mind, being open to improvement and so on.

PART 1

INTRODUCTION

DIVIDEND DISTRIBUTION POLICY

The Dividend Distribution Policy of the Bank has been approved at the Annual Shareholders' Meeting held on March 20, 2018 as follow: "Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency are authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is expected to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend distribution. Reference to the articles of association of the Bank, the General Assembly may resolve to pay advances on profit share to shareholders as per the regulations of the Banking Regulation and Supervision Agency and the Capital Market Board and related laws and regulations. In case of interest and dividend payments are cancelled for the debt securities which included in the calculation of equity issued in accordance with the Banking Regulation and Supervision Agency on the Equity of Banks, dividend payments may not be made to the shareholders in relation to the relevant year. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors to be submitted for the approval of General Assembly whenever necessary, taking into consideration the domestic and international economic conditions and the projects and financial condition on the agenda."

NOTE ON 2018 NET PROFIT

In accordance with the Banking Law, Capital Markets Law and related regulations, Article 20 of the Bank's Articles of Association and Profit Distribution Policy; considering the Bank's growth target within the sector, it's long term strategy, domestic and international economic developments, it is resolved that; the attached 2018 Profit Distribution Proposal that of the net profit for the accounting period TL 233.371.293,05 be reserved as general legal reserve, remaining TL 4.434.054.567,94 be set aside as extraordinary reserves was reviewed and related 2018 profit distribution table, as given on page 7, was submitted at the Annual Shareholder's Meeting for approval.

AMMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the Ordinary Annual Shareholders' Meeting dated 20 March 2018, it was decided that to make an amendment in the article 3rd (titled "Purpose and Scope"), article 8th (titled "Issuance of Bonds and Other Securities"), article 11th (titled "Board of Directors, Election of the Members and resolutions of the Board of Directors"), article 12th (titled "Distribution of Duties Among the Members of Board of Directors, Representation and Delegation of Management"), article 17th (titled "Corporate Governance Principles") and article 23rd (titled "Legal Provisions") Articles of Association of the Bank. Furthermore, article 6 of the Articles of Association, (titled "Capital") has been amended within the framework of the Bank's capital increase in June 2018.

2018 DIVIDEND DISTRIBUTION TABLE

Yapı ve Kredi Bankası A.Ş. 2018 Profit Distribution Table (TL)

1. Paid-in Capital		8.447.051.284,00
2. Legal Reserves (per Legal Book)		869.410.257,00
Information on whether Articles of Association has any privilege regarding profit distribution		None
		Per legal book
3	Gross Profit	5.855.489.983,99
4	Reserve for Taxes (-)	1.188.064.123,00
5	Net Profit (=)	4.667.425.860,99
6	Prior Years' Losses (-)	0
7	Legal Reserves (-)	233.371.293,05
8	NET DISTRIBUTABLE PROFIT (=)	4.434.054.567,94
9	Donations made during the year (+)	
10	Net distributable profit including donations	
11	1st dividend to shareholders	0
	-Cash	0
	-Bonus shares	0
	-Total	0
12	Dividend to shareholders which possess preferred shares	0
13	Dividend to Members of Board of Directors and employees etc.	0
14	Dividend to shareholders which possess redeemed shares	0
15	2nd dividend to shareholders	0
16	Legal Reserves	0
17	Statutory Reserves	0
18	Special Reserves	0
19	EXTRAORDINARY RESERVES	4.434.054.567,94
20	Other sources which are accepted as distributable	0,00

DIVIDEND RATIO TABLE

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT	DIVIDEND TO 1 TL NOMINAL VALUE SHARE	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	-	-	-	-	-
NET	-	-	-	-	-	-

MESSAGE FROM THE CHAIRMAN

17%

Yapı Kredi increased its consolidated asset size by 17% to TL 373 billion, climbing up one step among private banks in terms of total assets of the Bank positioned as Turkey's third largest private bank.

Dear Shareholders,

2018 has been a challenging year not only for our country but also for the world. Monetary tightening policies implemented by the Central Banks of developed countries in 2018, especially by the FED, pointed to an end of low-interest/high liquidity era on a global scale. This negatively affected developing countries, leading to a decline in portfolio investments and even to outflow of funds.

In the second half of 2018, there was volatility in exchange and interest rates domestically. Thanks to the tight monetary policy stance of the Central Bank, fiscal policies, and as well as the strong collaboration between regulatory bodies and the banking sector, the uncertainty driven by the volatile environment gave way to a stabilization towards the end of the year.

Despite the challenging market conditions, total loans in the banking sector increased by 14% annually and reached TL 2,311 billion, also driven the ongoing support from the Credit Guarantee Fund program. Deposits increased by 19% and reached TL 2,021 billion. Accordingly, loan to deposit ratio including Turkish Lira bonds improved by 5 percentage points to 114%. Non-Performing Loans (NPL) ratio increased by 79 basis points to 3.7%. NPL ratio was supported by TL 6.3 billion in NPL sales (25 basis points positive impact).

In 2018, despite the volatility in the markets, Yapı Kredi increased its consolidated asset size by 17% to TL 373 billion and improved its ranking by 1 notch in terms of asset size and became the third largest private bank.

Within the scope of the capital strengthening plan announced in May 2018, Yapı Kredi finalised a rights issue of TL 4.1 billion in June 2018. Additionally, in January 2019, the Bank completed an additional Tier-1 issuance of USD 650 million. 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.

In 2018, sustainability remained a key focus area on Yapı Kredi's agenda. The Bank was once again included in Borsa İstanbul (BIST) Sustainability Index on the back of successful performance in environmental, social and corporate governance areas. Yapı Kredi succeeded in placing among the 50 companies that qualified to be included in the index for the period of November 2018 - October 2019.

Yapı Kredi's corporate governance rating improved to 9.58 in 2018 from 9.43 in 2017 (on a scale of 10) based on the principles set by the Capital Markets Board of Turkey, thanks to the great emphasis given by the Bank on on corporate governance.

In 2018, Yapı Kredi continued to take important steps in terms of social responsibility. The Bank started to support the Science Migration to Anatolia, a new social development project initiated by the Young Guru Academy (YGA) to encourage an interest in science for children. The project, in which Yapı Kredi Volunteers also participate, aims to reach 5 thousand children in 50 provinces within 3 years. The Bank contributes value to the lives of individuals with disabilities through initiatives conducted in collaboration with various organizations including the Federation of Hearing Impaired and Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM). Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 413 books were transferred onto the digital media, converted into audio books and made available 24/7 to disabled individuals over the phone in 2018.

I would like to take this opportunity to thank all our customers who walk by our side along this path Yapı Kredi builds with achievements, our shareholders for their reassuring support and all our employees who have helped us get here with their hard work and commitment.

Ali Y. Koç
Chairman

MESSAGE FROM THE CEO

73%

Strong income generation performance of the Bank resulted in 45% increase in total revenues in 2018. The Bank's gross operating profit[1] rose 73%to TL 12.4 billion.

2018 marked a year in which the impact of FED's tight monetary policies began to be revealed on a global scale and domestic markets experienced sharp fluctuations in exchange and interest rates in the second half of the year. Timely decisions implemented by the Turkish government and important steps taken by regulatory authorities, including continuation of Credit Guarantee Fund and softening of regulatory requirements, supported the banking sector and helped the sector preserve its robust structure.

In 2018, Yapı Kredi's cash loans grew by 10% annually and reached TL 221 billion. The Bank continued support the country through this volatile period and gained 40 basis points market share in TL loans among private banks. In addition, Yapı Kredi extended Credit Guarantee Fund loans of TL 8.5 billion in 2018 gaining 12% market share and increasing its overall market share to 7.3%. Deposit volume grew by 21% to TL 210 billion and the Bank's market share among private banks increased by 51 basis points to 15.9%. Yapı Kredi gained 90 basis points in individual time deposits. As a result, Yapı Kredi the loan-to-deposit ratio including TL bonds improved significantly to 104%.

Yapı Kredi increased its revenues by 45% in 2018 on the back of strong income generation. Meanwhile, thanks to controlled cost management, total costs increased below inflation at 13% (adjusted for pension fund provisions). As a result, cost-to-income ratio improved by 10 points and materialized as 34.2%. Bank's gross operating profit[1] increased 73% to TL 12.4 billion.

Despite the increase in loan loss provisions with the prudent approach to asset quality, net income grew by 29% to TL 4.7 billion and return on tangible equity ratio improved by 58 basis points. Consolidated capital adequacy ratio improved by 144 basis points to 14.8%. Including the additional Tier-1 issuance of USD 650 million in January 2019, Tier-1 ratio stands at 12.5%.

[1] Gross operating profit excludes ECL collection income, trading income to hedge FC ECL and pension fund provisions reserved in 4Q18

Yapı Kredi finalised successful external borrowings during the reporting period as part of its commitment to fuding diversify the funding base, an area of great importance for the Bank, Yapı Kredi continued to successfully finalise external borrowings. The Bank issued a 5-year Eurobond of USD 500 million to international investors. In addition, the Bank also borrowed from international markets under mortgage-backed securities and diversified payment rights securitization programs. As a result of the confidence held in Turkey, the sector and Yapı Kredi, syndication loans secured by Yapı Kredi in 2018 amounted to USD 2.6 billion.

In 2018, as a leading bank in digital banking transformation, Yapı Kredi continued to make life of its customers easier with new products and services. In line with evolving customer demands, the Bank redesigned initial account opening and initiation of customer relationship with the Bank via digital channels. The new service model allows users to become Yapı Kredi customers by video chat with Visual Transaction Assistants via Yapı Kredi Mobile application, eliminating the need to make a trip to a branch. During 2018, number of active digital banking customers increased by 26%, active mobile banking customers increased by 31%.

With this opportunity, I would like to thank our loyal customers, our shareholders for their trust and support, and our employees for their valuable efforts.

Gökhan Erün
CEO

VISION, MISSION, STRATEGY, VALUES AND HISTORY

VISION

To be the undisputed leader in the finance sector

MISSION

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

STRATEGY

A customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth

Best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns

VALUES

Freedom: Yapı Kredi employees express their opinions easily through appropriate and constructive methods; they act in accordance with the Bank's values and contribute to the future of the Bank

Respect: Yapı Kredi employees listen to their customers and colleagues, irrespective of their identities, to understand their needs. They respect the opinion of others and know that their opinions and ideas also count

Fairness: Yapı Kredi employees treat their customers, colleagues and the Bank's stakeholders in a consistent manner without seeking personal gain; they make objective decisions and act in accordance with their values while focusing on corporate and social responsibility

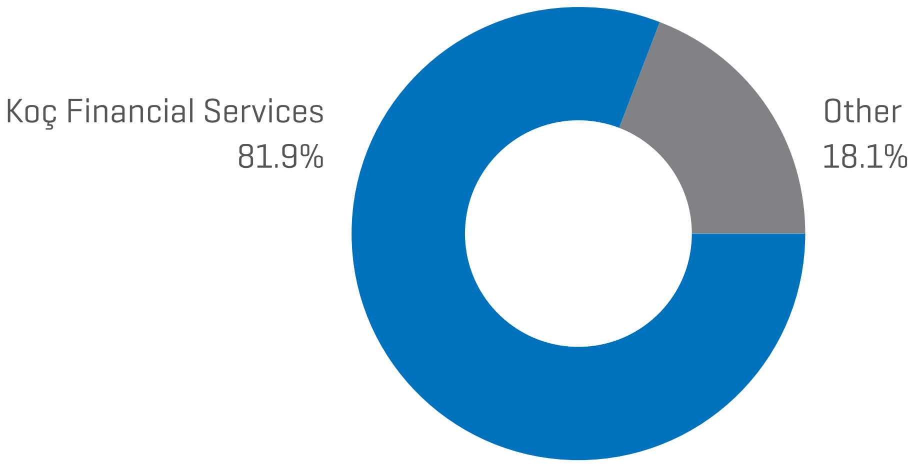
Transparency: Yapı Kredi employees share relevant corporate information with their customers, colleagues and other stakeholders in a transparent and timely manner while adhering to the Bank's confidentiality principles and ensuring accessibility; they express their opinions with the same degree of transparency

Trust: Yapı Kredi employees build relationships based on trust with all relevant parties utilising their banking knowledge, skills and commitment to corporate values; they trust those that they grant responsibility and authority to. Consistent with the Bank's corporate values, Yapı Kredi employees keep their promises in a timely and accurate manner. They take responsibility for their customers' problems, find rapid solutions and follow up on the results.

HISTORY

Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. In 2006, legal merger of Yapı Kredi and Koçbank (together with the two banks' core subsidiaries operating in the same sectors) was completed. In 2007, the segment based service model was completed and the launch of branch expansion started. In 2009, due to the global economic crisis, the branch expansion was suspended temporarily, while tight cost management and effiency efforts executed. In 2013, capital base was strengthened and the Bank continued effective liquidity management via balanced growth in loans and deposits. In 2015, the Bank focused on digital banking. In 2017, the Bank focused on value-added fields and products, while continuing efficiency improvement with ongoing cost management. In 2018, the Bank continued prudent asset quality management while focusing on efficient liquidity management and capital structure strengthening. The Bank aimed reducing the concentration in lending and deposits, spreading out with smaller tickets, and focused on transaction banking in commission generation

SHAREHOLDING STRUCTURE



Shareholding Title	Share Price [TL]	Share Ratio [%]
Koç Financial Services	6,918,131,285.23	81.9
Other	1,528,919,998.77	18.1
Total	8,447,051,284.00	100.00

Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. 81.9% of the Bank's shares are owned by Koç Financial Services (KFS), a 50%-50% joint venture between UniCredit Group and Koç Group. The remaining 18.1% is publicly traded on Borsa İstanbul.

Koç Group, founded in 1926, is the largest business Group in Turkey with its turnover, exports and over 94 thousand employees. Koç Group's turnover comprises 7% of Turkey's total Gross Domestic Product (GDP) and exports comprise 10% of Turkey's total exports.

UniCredit Group, with roots dating back to 1473, is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets.

In 29 June 2018, Yapı Kredi completed TL 4.1 billion of rights issue and the Bank's issued capital increased to TL 8.447.051 thousand from TL 4.347.051 thousand.

YAPI KREDI AT A GLANCE

Yapı Kredi has been sustainably strengthening its positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the 3rd largest private bank in Turkey with total asset size of TL 373,4 billion as of the end of 2018. Constantly in the pursuit of increasing its contribution to the financing of the Turkish economy, Yapı Kredi increased the volume of its total cash and non-cash loans by 10% in 2017 to TL 306.3 billion. Accordingly, Yapı Kredi maintained its position at 2rd place among private banks.

The Bank serves its customers with its 854 branches covering all regions of Turkey and 17,577 employees. Yapı Kredi's Alternative Delivery Channels (ADCs) comprise 4,330 ATMs, innovative internet banking, leading mobile banking, 3 call centers and approximately 551 thousand POS terminals. 96% of the Bank's transactions go through non-branch channels.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through retail banking (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems, private banking and wealth management), as well as corporate and commercial banking. The Bank's operations are supported by domestic subsidiaries in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Malta and Azerbaijan.

Total Assets
373.4
TL billion
+17%

Total Revenues
20
TL billion
+45%

Net Profit
4,668
TL million
+%29

Gross Operating Profit
12.4
TL billion
+73%

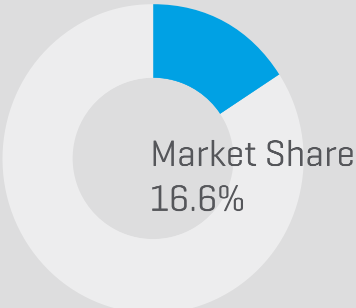
Contribution to the Economy
306.3
TL billion

We are
Turkey's
3rd
biggest private bank

Return on Tangible Equity
14.2%
+58%

Cost of Risk
+2.74%
+168 bps

Loans



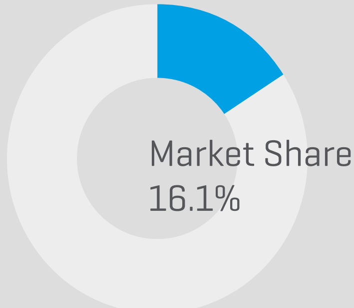
Total Loans (Cash)

220.5
TL billion

+10%

Loans/Assets
59%

Deposits



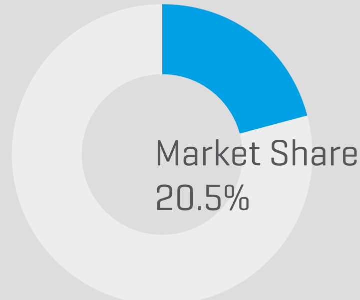
Total Deposits

210.3
TL billion

+21%

Deposits/Assets
56%

Credit Cards



Number of Credit Cards

11.8
milyon

Undisputed leadership
in credit cards for 30 years

Loans/Deposits Ratio
104%

Shareholders' Equity
39 TL billion

Tier-1 Ratio
11.4%

Liquidity Coverage Ratio
136%

Cost/Income Ratio
34.2%

Capital Adequacy Ratio
14.8%

Completion of Capital Strengthening Plan

1.65 USD billion

Additional Tier-1
650 USD million

Rights Issue
1 USD billion

Credit Guarantee Fund

8.5
TL billion

12%
2018 Market Share

7.8%
Market Share

POSITIONING

	Market Share	Ranking
Total Bank		
Total Loans (Cash + Non-Cash)	9.8%	4
Deposits	10.0%	5
Delivery Channels		
Employees[1]	9.1%	5
Branches[1]	8.2%	6
ATMs	8.6%	5
Digital Banking	12.3%	-
Retail Banking		
Credit Card Outstanding	20.7%	1
Credit Card Acquiring	19.3%	1
Number of Credit Cards	17.8%	1
Consumer Loans	8.4%	6
General Purpose Loans	9.6%	5
Corporate and Commercial Banking		
Leasing Receivables	20.7%	1
Factoring Turnover	16.7%	-
Cheque Clearing	10.9%	1
Private Banking and Wealth Management		
Mutual Funds	16.6%	2
Equity Transaction Volume	11.1%	1

Notes:

(1) Bank only employee number: 17,577; Bank only branch number: 854
Calculations are based on BRSA weekly data as of 28 December 2018 and BRSA monthly data as of December 2018
Digital banking market share is calculated based on number of customers

SUMMARY FINANCIALS

	2017	2018	Change
Balance Sheet			
Assets (billion TL)	320.1	373.4	17%
Cash + Non-Cash Loans (billion TL)	278.7	306.3	10%
Cash Loans (billion TL)	199.9	220.5	10%
Deposits (billion TL)	173.4	210.3	21%
Profitability			
Revenues (million TL)	13,779	20,037	45%
Operating Expenses (million TL)	5,820	6,685	15%
Net Income (million TL)	3,614	4,668	29%
Return on Average Tangible Equity(1)	13.6%	14.2%	58 bps
Return on Assets	1.1%	1.4%	25 bps
Cost/Income Ratio	42%	33%	-887 bps
Capital and Liquidity			
Capital Adequacy Ratio	13.4%	14.8%	144 bps
Tier-1 Capital Ratio	9.9%	11.4%	153 bps
Bank Loans/(Deposits + TL Bonds) Ratio	112%	104%	-798 bps
Asset Quality			
Non-Performing Loans Ratio	4.4%	5.3%	95 bps
Total Coverage(2)	114%	109%	-474 bps
Cost of Risk(3)	107 bps	257 bps	151 bps

Notes:

bps (basis points) indicates difference between ratios

(1) Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006

(2) Indicates specific and general provision coverage

(3) Cost of Risk = (Total Loan Loss Provisions-Collections)/Total Gross Loans

2018 AWARDS

Banking	
Best Private Banking Services Overall Category, 1st Place	Euromoney Private Banking and Wealth Management Survey
Philanthropic Advice Category, 1st Place	Euromoney Private Banking and Wealth Management Survey
International Clients Category, 1st Place	Euromoney Private Banking and Wealth Management Survey
Best Private Bank, Turkey	International Finance
Best Private Bank, Turkey	Global Banking and Finance Review Awards
Digital Workforce Project: VISA Operational Excellence Award	Vizyonist 2018

Banking Services & Products	
VISA Individual Credit Cards Transaction Volume - Leading Bank	Vizyonist 2018
VISA Commercial Credit Cards Transaction Volume - Leading Bank	Vizyonist 2018
VISA Commercial Bank Cards Transaction Volume - Leading Bank	Vizyonist 2018
Digital Protection Insurance: Software & Insurance Solution Category - Best New Product or Service of the Year - Silver Stevie Winner	Stevie Awards
Trade and Export Finance of the Year, 1st Place	Bonds&Loans
M&A, Acquisition Finance Deal of the Year - 2nd Place	Bonds&Loans
Syndicated Loan Deal of the Year - 2nd Place	Bonds&Loans
Project Finance Deal of the Year - 3rd Place	Bonds&Loans
Financial Institutions Deal of the Year - 3rd Place	Bonds&Loans
Best Cash Manager in Turkey	Euromoney
The Best Trade Finance Bank of Turkey 2018 Award	Euromoney

Alternative Delivery Channels		
Yapı Kredi Customer Relations Center	Best Customer Insight Initiative - Silver Award	The European Contact Centre and Customer Service Awards
	Best Use of Technology - Gold Stevie Winner	Stevie Awards for Sales and Customer Service
	Contact Center of the Year - Silver Stevie Winner	Stevie Awards for Sales and Customer Service
	Sales Growth Achievement of the Year - Gold Stevie Winner	Stevie Awards for Sales and Customer Service
	Sales Process of the Year - Bronze	Stevie Awards for Sales and Customer Service
Yapı Kredi Mobile	Best Visual Design - Function for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Best User Interface for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Best User Experience for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Integrated Mobile Experience for Mobile Apps / Sites Category - Awards Distinction	Communicator Awards
	Financial Services/Banking Category - Bronze Stevie Winner	Stevie Awards
	General-Finance for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Business/Government Category Silver Stevie Winner	Stevie Awards
	Mobile App - Banking & Finance category - 3rd Place	16. Golden Spider Web Awards
	Best Practices for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
Yapı Kredi Mobile Jet Transactions	Experimental & Innovation Category - Silver Stevie Winner	Stevie Awards
	Integrated Mobile Experience Category - Bronze Stevie Winner	Stevie Awards
Yapi Kredi's NFC-Enabled Login to Mobile Banking	Integrated Mobile Experience Category - Gold Stevie Winner	Stevie Awards
	Experimental & Innovation Category - Gold Stevie Winner	Stevie Awards
Yapı Kredi Mobile - Don't Panic Button	Financial Services Category, Best New Product or Service of the Year - Gold Stevie Winner	Stevie Awards
	Customer Experience Category - 2nd Place	IDC Turkey Finance Sector Technology Awards
	Innovation category - 1st Place	Customer Experience Arena
Yapı Kredi Mobile Money Withdrawal/Deposit without Touching the ATM	Digital Channels Category - 2nd Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Mobil Ford SYNC3 Entegrasyonu	Integrated Mobile Experience Category - Bronze Stevie Winner	Stevie Awards
	Experimental & Innovation Category Bronze Stevie Winner	Stevie Awards
Yapı Kredi Mobile Customer Experience Innovations	Best Innovation Project category - 3rd Place	IDC
Yapı Kredi Mobile-Touch One Screen Experience	Omnichannel category - 1st Place	Customer Experience Arena
Yapı Kredi's Digitized Instruction System	Digital Channels Category 3rd Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Pay	Digital Channels Category - 1st Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Pay Mobile Payment Solutions	Software - Payments Solution Category - Best New Product or Service of the Year Gold	Stevie Awards
Yapı Kredi Website: (yapikredi.com.tr)	General-Banking / Bill Paying for Websites Category - Awards Distinction	Communicator Awards
	User Interface for Websites Category - Awards Distinction	Communicator Awards
	User Experience for Websites Category - Awards Distinction	Communicator Awards
	Banking Category - Silver Stevie Winner	Stevie Awards
	Banking and Finance Category - Favourite of Public	16. Golden Spider Web Awards
	Best Integrated Corporate Banking Site	Global Finance Best Digital Bank Awards
	Financial Services Category - Silver Stevie Winner	Stevie Awards
Smart Algorithms for Information Retrieval (SAFIR)	Best Innovation Project category - 2nd Place	IDC

ATM Replatforming	Best Business Enablement Project of the Year category - 2nd Place	IDC
ATM Replatforming: Best ATM/Self Service Experience		Bank Customer Experience
Best Bill Payment & Presentment / Consumer		Global Finance
Country Winners / Corporate		Global Finance
Best Mobile Banking App / Corporate		Global Finance
Best Online Portal Services / Corporate		Global Finance
Best Integrated Corporate Bank Site / Corporate		Global Finance
Yapı Kredi	Grand Stevie	Stevie Awards
Subsidiaries		
Yapı Kredi Portföy	The Leader of Pension Funds Return	Turkish Capital Markets Association, 3rd Capital Markets Awards
	Recognised Leaders in Pension Fund Management in Turkey	Wealth & Finance International
	Best Asset Management Company, Turkey	Global Business Outlook
	Best Asset Management Company in Turkey	Global Brands Magazine
	Best Asset Management Company in Turkey	Wealth & Finance International
	Best Asset Management Company in Turkey	International Business Magazine
	Best Investment Strategy in Turkey	Business Vision
	Most Innovative Asset Management Company in Turkey	International Finance
	Best Pension Fund Manager, Turkey	Global Business Outlook
Yapı Kredi Leasing	Turkey's Most Popular Companies, Leasing Category - 1st Place	Capital magazine
	Banking & Finance Category Silver Award	Horizon Interactive Awards
Yapı Kredi Leasing Web Site - Best Practices		Communicator Awards
Yapı Kredi Leasing Web Site - User Interface		Communicator Awards
Yapı Kredi Faktoring	Turkey's Most Popular Companies, Factoring Category - 2nd Place	Capital magazine
	Best Export Factoring Company - 3rd Place	FCI
Yapı Kredi Azerbaijan	Best Trust Bank Azerbaijan 2018	Global Banking and Finance Review Awards
Corporate Communication Management		
Yapı Kredi Volunteers, Science Migration to Anatolia Project	Financial Services Category - Winner	The Peer Awards for Excellence
	Turkey Category - Winner	The Peer Awards for Excellence
	Marketing Transformation Category, Felis Award	Felis Awards
	TVC Category - Corporate, Felis Award	Felis Awards
	Movie/TV-Cinema: Grand Prize	Crystal Apple
	Movie - TV - Cinema/Social Responsibility: Crystal Prize	Crystal Apple
Yapı Kredi Digitalent	Financial Services Category, Achievement Award	Felis Awards
	TVC - Financial Services Category, Felis Award	Felis Awards
	Online Film/Banking, Insurance and Financial Services Category, Crystal Prize	Crystal Apple
	Excellence in Execution / Production-Execution / Best Casting Category, Crystal	Crystal Apple
	Excellence in Execution/ Production-Execution / Best Commercial Film Director	Crystal Apple
Eye ID/Drummer Rabbit	Excellence in Production / Animation Category, Felis Award	Felis Awards
	Financial Services / TVC Category, Achievement Award	Felis Awards
Yapı Kredi Kültür Sanat Binası	Design / Multi-Purpose Branding / New or Renewed Brand Identity Category, Crystal Prize	Crystal Apple
	Design / Excellence in Design / Logo Design Category, Crystal Prize	Crystal Apple
Yapı Kredi Publishing - Sleep Poems	Design / Package Design Category, Crystal Prize	Crystal Apple
	Design / Communication Design / Promotion Material Category	Crystal Apple
	Excellence in Production / Package Design Category, Felis Award	Felis Awards
Yapı Kredi Hackathon	Contests & Festivals Category, First Place	Direct Marketing Awards
Banking & Finance Category: Silver		Campaign Turkey Agency & Brand of the Year Awards
Brand Conference	Platinum Prize	MarCom Awards
Marketing Meetup	Branded Content / Celebrity Integration in Live Experience Category, Achievement Award	Felis Awards

SERVICE MODEL

Retail Banking

Includes Card Payment Systems, Individual Banking, Private Banking and Wealth Management and SME Banking.

Individual Banking serves individuals with total financial assets up to TL 500 thousand with sub units of Individual (customers with financial assets worth up to TL 100 thousand) and Platinum (customers with financial assets worth between TL 100 thousand and TL 500 thousand). Private Banking and Wealth Management serves customers with total financial assets above TL 500 thousand. SME Banking serves companies with annual turnover of less than US$ 10 million.

Breakdown by Business Unit

Revenues	Loans	Deposits
53%	44%	64%

Subsidiaries
Yapı Kredi Invest
Yapı Kredi Asset Management

Corporate and Commercial Banking

Serves companies with annual turnover more than US$ 10 million, sub-segmented under Commercial Banking (between US$ 10-100 million) and Corporate Banking (over US$ 100 million)

Breakdown by Business Unit

Revenues	Loans	Deposits
33%	56%	36%

Subsidiaries
Yapı Kredi Leasing
Yapı Kredi Factoring
Yapı Kredi Nederland
Yapı Kredi Azerbaijan
Yapı Kredi Malta

Notes:

Business units account for 86% of total revenues. The remaining 14% of revenues is attributable to treasury and other operations

Yapı Kredi's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing, Yapı Kredi Technology as well as Allianz Yaşam ve Emeklilik

As of February, 2 2019, large scale SMEs have been started to be followed under Commercial Banking, while micro and mid-size SMEs will continue being followed under Retail Banking.

CARD PAYMENT SYSTEMS

Profile	
Credit Cards	11.8 million
Debit Cards	11.1 million
Member Merchants	531 thousand

Positioning	Market Share
Credit Card Outstanding	20.7%
Credit Card Issuing	19.0%
Commercial Credit Card Outstanding	28.0%
Credit Card Acquiring	19.3%
Number of Credit Cards	17.8%

Products and Services
Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, World Business, Debit cards (TLcard, Play TLcard, Business TLcard), Desktop POS, Mobile POS, Contactless POS, ADSL POS, Cash Register POS, Virtual POS, Mail Order

Long-standing sector leadership

Yapı Kredi has been the leader in card payment systems since 1988 with World, its main credit card brand. The Bank further strenghtens its leadership position gradually with a focus on always exceeding customer expectations and leading the sector in terms of innovation in card payment systems. In 2018, the Bank maintained its innovative approach and leading position in the sector with over 11.8 million credit cards. According to the 2018 Nilson Report, Yapı Kredi's credit card program World reinforced its leadership in Continental Europe and climbed up in the rankings to clinch the fifth largest credit card program position in Europe. Globally, Yapı Kredi ranks 53rd in terms of the size of card payment systems.

In spite of the intense competition and challenging market conditions, Yapı Kredi maintained its leadership position in total credit card outstanding volume and achieved strong growth in profitability in 2018. Throughout the year, the Bank focused on new customer acquisition, lasting customer relations, cost reduction and increased cross-sales efforts while maintaining a disciplined approach to installments and loyalty points.

In 2018, Yapı Kredi was the sector's leader in credit card outstanding volume, retail volume and acquiring volume with TL 27.9 billion, TL 151 billion and TL 158 billion, respectively. The Bank also maintained its leadership in commercial credit cards outstanding volume with TL 8.4 billion as at year-end 2018.

Continuous innovative solutions for card users

In 2018, Yapı Kredi carried out numerous innovative projects to further strengthen its market position and boost customer satisfaction. Highlights of these projects are summarized below:

- The Bank kept implementing new approaches in data analysis to better understand the usage behavior of card holders and thereby present more effective and tailored offers for them.
- The Bank created synergies with other business units to bring the right products and product features to individual and commercial customers.
- The Bank introduced a capability to Yapı Kredi Mobile app enabling card applications without even logging in to the application, in addition to the available options of card applications via yapikredi.com.tr and social media.

CARD PAYMENT SYSTEMS

>80 campaigns via 531 thousand member merchants

Yapı Kredi further strengthened its approach focused on customer satisfaction through more than 80 campaigns per month offered via 531 thousand member merchants.

- Within the frame of efforts focused on sustainability, efficiency and environmental protection, the Bank gained significant momentum in guiding customers towards e-statement and managed costs effectively.
- Leading the transformation of card payment systems, Yapı Kredi unified all its digital payment solutions under the Yapı Kredi Pay umbrella. In this context, the Bank launched Payment via QR Code to speed up customers' payment for their online shopping, and Payment From Inside the Car at Opet gas stations allowing easy payment for fuel purchases without leaving the car. Yapı Kredi Mobile and Yapı Kredi Wallet applications that incorporate Mobile Payment function, which is one of Yapı Kredi Pay solutions and enabling contactless payments with Android mobile phones, were the most popular applications used for mobile payment transactions.
- In 2018, the Bank carried out a project to relaunch Yapı Kredi Wallet application under the World Mobile brandname. The efforts in this vein included the introduction of a user-friendly interface combined with a variety of capabilities by early 2019, including campaign offers in connection with the customer's spending habits and location data, tracking campaign gains, querying card details, card application and limit increase, Do Not Panic button enabling temporary suspension of cards, managing card authorizations and Yapı Kredi Pay digital payment solutions.
- The contactless feature of cards facilitates and accelerates credit card purchases of customers, while shortening cash register transactions of member merchants and increasing shopping circulation. In 2018, Yapı Kredi captured leadership in contactless cards retail volume, in addition to the number of contactless cards issued.
- In line with the motto the "Digital Bank of Turkey", the Bank enabled easy and quick application for World Business card offering privileges in commercial life for SME customers via Yapı Kredi Corporate Internet Banking and Customer Relations Center in 2018.

Pioneering member merchant network

In 2018, Yapı Kredi continued to pioneer member merchant business with its wide range of innovative products. Despite the hardships that dominated the markets due to volatile interest and exchange rates, Yapı Kredi further strengthened its approach focused on customer satisfaction through more than 80 campaigns per month offered via 531 thousand member merchants.

In 2018, the Bank sustained its positive performance in member merchant business, while also steering the sector with pioneering steps:

leader

In 2018, Yapı Kredi captured leadership in contactless cards retail volume, in addition to the number of contactless cards issued.

- Priority was given to transformation and technological developments in digital channels associated with member merchants:
  - POS Avans, a first in the sector, was introduced. This new product lets member merchants use their POS receivables for their payments without waiting for the due date of the receivables through a money transfer instruction to be given via Yapı Kredi Corporate Internet Banking, Corporate Mobile Branch or branches.
  - In a bid to increase customer acquisition and add a new sales channel to the existing ones, member merchant sale began via the Customer Relations Center, for the first time in Turkey, in 2018.
  - Additional features were added to the new Virtual POS infrastructure so as to be able to offer the most secure service possessing the latest technical standards, and development of infrastructure continued.
- A partnership was established with China UnionPay (CUP), one of the world's biggest payment systems, under which Yapı Kredi POS devices and ATMs began accepting debit and credit cards with CUP logo, in addition to Visa, Mastercard and Troy branded cards.
- In response to the positive feedback and demands from the field, the array of No-Commission POS products, which allows member merchants to carry out commission-free transactions in return for a fixed monthly fee up to a specific turnover, was expanded with new No-Commission POS offers.
- Thanks to the agreements with Cash Register POS manufacturers, the Bank maintained its position as the bank offering the broadest product range, and member merchants were supported in achieving growth through bonus point-earning and installment campaigns co-organized with Cash Register POS companies.
- Cooperation continued with three banks with which there is a World License agreement, thus expanding the World Loyalty Program.

Outlook

2019 goals of Yapı Kredi with respect to card payment systems include the following:

- Increasing digital channel usage rate both by card customers and POS customers on the back of enhanced customer experience on digital channels
- Digitalizing customers' card usage habits through World Mobile, and pioneering the digital transformation in the world of cards by ensuring satisfaction of all their needs before, during and after purchases
- Adding new options to new generation digital payment solutions provided under Yapı Kredi Pay roof, and delivering a fast and easy payment experience to customers
- Expanding the customer base of World Cash prepaid card developed to cater to customer needs, which allows cash withdrawal and spending limited to the amount deposited to the card, without necessitating a credit line or bank account

INDIVIDUAL AND PLATINUM BANKING

Profile	
Branches	776
Portfolio Managers	1,626

Positioning	Market Share
Consumer Loans	8.4%
General Purpose Loans	9.6%
Mortgages	7.1%
Auto Loans	9.3%

Products and Services

Deposits (Time Deposit, Demand Deposit, Flexible Time Deposit, Fund Deposit, Gold Deposit, 5D Deposit), Mortgages, Home Equity Loans, Home Improvement Loans, General Purpose Loans, Auto Loans, FordFinans Auto Loans, Individual Flexible Accounts, Product Bundles, Bill Payments, Regular Payments, Rent Payments, Installment Payment System for Schools (TEST), School Payments, Safe Deposit Boxes, Scrap Gold Collection, Working Account, Private Pensions, Health Insurance, Life insurance, Non-Life Insurance, Snowball, My First Money, Dowry Deposit, House Deposit, Findeks Package

In keeping with its customer-oriented strategy, Yapı Kredi offers value-generating products and services on a wide spectrum to its customers via its individual and platinum sub-segments in the Retail Banking business line. In addition, the Bank carries out all its insurance activities through the Bancassurance unit operating under Retail Banking.

While Yapı Kredi maintained its strong market position in strategic products, the Bank continued to offer innovative products, expand the use of digital channels and broaden active customer base in 2018.

Individual Banking

Having continued to grow in Individual Banking in terms of revenues and active customers in 2018, Yapı Kredi offers service via 776 branches, the Call Center and all digital channels.

Designed to an innovative approach and the strategy of achieving higher customer satisfaction and enabling much faster service delivery from a single point, the new service model has been introduced in 400 branches. Also, 1200 ATMs have been renewed in 2018. Yapı Kredi continues to target excellence in services delivered to customers on the back of its new service model and well-equipped sales force. The aim is to make the transition to the one-stop service model at all Yapı Kredi branches by the end of the second half of 2019.

Yapı Kredi, the digital bank of Turkey, launched a number of projects in line with its strategy of digitalizing its sales processes and customer experience, and kept leading the digital transformation of the banking business. In this respect, Yapı Kredi secured 26% expansion in the number of active customers and 31% rise in the number of active mobile banking customers. Use of mobile banking within active digital customers reached as high as 88%.

In non-cash transactions, the share of digital channels exceeded 96%, and product sales penetration through digital channels maintained its rise in 2018, reaching 55%. More than 45% of financial transactions are being performed via our digital channels excluding ATM.

A new service introduced at the end of 2018 allows consumers to become Yapı Kredi customers via Yapı Kredi mobile, without visiting a branch. Opening a new account with Yapı Kredi had never been easier thanks to this new service launched in line with the objective of offering products and services that will contribute value to the lives of individuals.

Introduced in 2017, the “digital product sales service model at branches” enabled paperless sales processes that eliminated signatures, under which more than 30 products and services were offered with digital approval sought via tablet PCs in 2018. The service model served to save 15 million sheets of paper and 54 minutes of time per customer representative per day in 2018. For instance, 96% of general purpose loan sales and 98% of customer and account openings are being easily completed at branches. The 2019 goal is to save 30 million sheets of paper and 65 minutes per customer representative per day.

One of the basic products the Bank focused on is individual general purpose loans presented for various needs of customers. Digital borrowing experience was taken a step further in 2018, and the rate of non-branch loan extension went up from 51% to 70%. In addition, equipment loan and online shopping loan products have been introduced to satisfy customer needs. As at end-2018, 47% of all loans extended by Yapı Kredi were made available with digital approval.

In 2018, Yapı Kredi kept successfully adhering to its strategy of creating new customer relationships driven by payroll customer acquisition, a topic of priority for the Bank. The number of the Bank's payroll customers topped 2.1 million at the end of 2018. At the same time, payroll customers also provide benefits in creating synergy with the Corporate Banking customers.

Yapı Kredi expanded Flexible Account balance by 23% as of the fourth quarter and reached 12.2% market share, thus preserving its second spot in the sector. As a result of the efforts for attracting the customers to flexible account e-statement throughout 2018, 76% of customers began using paperless e-statements.

Capable of offering service to its customers in every field they need, Yapı Kredi carried out cross-selling in diverse areas such as bill payments, credit cards and school payments, and succeeded in increasing its demand deposit volume despite volatile market conditions. In time deposits, the Bank offered custom-tailored advantageous interest rates primarily in TL and also in many foreign currencies, allowing customers to invest their savings lucratively, and achieved higher volume as compared with the previous year.

In 2018 that marked its 11th year, Yapı Kredi - Ford Otosan partnership sustained its successful performance. Having increased its market share in individual auto loans by 20% year-over-year in 2018, Yapı Kredi's market share in this segment reached 9.1%.

Platinum Segment

In 2018, Yapı Kredi provided services to Platinum Banking customers via 703 Portfolio Managers in 420 branches, and also began offering remote service via 60 Centralized Platinum Portfolio Managers under the Centralized Platinum Portfolio Manager structure introduced in June 2018. In addition, the Bank continued to deliver privileged services to its clients in every field, financial and non-financial, via the VIP Call Center.

The Bank also offers daily life advantages in travel and healthcare, as well as discounts in select restaurants within the frame of the "World of Privileges" services. Yapı Kredi Platinum Banking additionally provides various consulting services and regular discount campaigns to enrich customer experience.

In 2018, the volume of time deposits held by Platinum Banking customers within the frame of portfolio management services grew by 38% year-over-year. The volume of demand deposits, an extension of the strategy to be the main bank of customers, expanded by 22%.

Yapı Kredi continues to offer successful services with tailored products in mortgages via the Call Center, branches and the "loan now" channel. Additionally, the Bank collaborates with corporate real estate firms and construction companies to offer mortgages for housing projects. In order to offer more value to its customers, Yapı Kredi also presents its life insurance product to mortgage customers. In 2018, the Bank reached a penetration share of 80.33% in insurance linked to mortgage.

Bancassurance

Yapı Kredi Bank and Allianz partnership continued to deliver solutions for all customers needs.

As the digital bank of Turkey, the Bank puts emphasis on digitalizing bancassurance products and services, as well, and takes actions in this direction. Yapı Kredi launched the Digital Motor Own-Insurance product in 2018, in addition to life insurance, compulsory earthquake insurance, personal accident, digital protection, property insurance and travel health insurance that were already being sold viaa the digital channel. Actions taken in 2018 allowed issuance of all insurance products offered in branches with digital approval and without hard copy policies.

At the end of 2018, Yapı Kredi maintained leadership in healthcare bancassurance with a 33.6% market share. The Bank has 10.4% market share in life insurance, 4.03% in non-life insurance and 13.25% in private pension.

Outlook

Yapı Kredi's targets for 2019 in the Retail Banking business line are set as follows:

- Improve the availability of financial services for all customer base with the help of digitalization. The Bank seeks to improve customer accessibility and customer experience by the help of increase in variety and depth in financial products
- Enable customers to utilize deposit and deposit-based products (regardless of amount and maturity) in order to strengthen finance base sustainably
- Boost customer loyalty and expand customer base through activities to deepen relations with an eye to becoming the primary bank of customers
- Increase sales efficiency by improving its sales and service model with an innovative approach
- Increase digital channel use by enhancing customer experience on digital channels
- Provide services to customers in equal quality on all channels for every product they need

SME BANKING

Profile	
Branches	709
Portfolio Managers	1,561

Products and Services

Deposit Products, Commercial Installment Loans, Revolving Loans, Flexible Commercial Accounts, Product Bundles (Defne, Nar, Palmiye, Sedir, Çam), POS and Merchant Services, Agricultural Loans, Cash Management Products, Commercial Credit Cards, Commercial Purchasing Cards, Corporate Mobile Banking, TARSİM (Agricultural Insurance), Verimli Kart, SME website

A productive year for SME Banking

Amid the negative economic environment created by the fluctuation that hit the markets in the second half of 2018, Yapı Kredi had a productive year in terms of revenues and profitability driven by the success secured through the new service model introduced in SME Banking segment.

Increased revenues in SME Banking stemmed mainly from the improved loans-to-deposits ratio coupled with the rise in banking commission revenues. Effective risk management activities resulted in decreased credit risk costs, and the NPL ratio was reduced in a controlled manner. In 2018, the Bank started to use one-to-one pricing model that enables to provide differentiated prices according to the customers' past business relationship with the Bank, risk level and market conditions. This approach increased revenues on the basis of transactions, and also supported the decrease in cost of risk.

During 2018, the Bank sustained its productive partnership with the Credit Guarantee Fund (in Turkish: KGF) and increased the support for its customers. Yapı Kredi increased its market share in KGF-backed loans from 5.8% in 2017 to 7.3% in 2018 with TL 21.6 billion extended in total in 2018.

The Bank maintained partnership with Credit Guarantee Fund (KGF) to support sustainable development of SMEs. With protocols signed with the Credit Guarantee Fund, Yapı Kredi acts as an intermediary for KGF programs to provide financing for SMEs. On the basis of the programs launched in 2018, the Bank reached a market share of 11.6%. In order to help ease the financing problems of the SMEs, Yapı Kredi also made available loan facilities with advantageous interest rates within the scope of the "SME Support Loan Program" to which KGF provided guarantee support within the frame of a cooperation with The Union of Chambers of Commerce and Commodity Exchanges of Turkey (in Turkish: TOBB).

Offering TL and FC deposit products to the SMEs throughout 2018, Yapı Kredi successfully grew the demand deposit volume whereby its customers manage their cash flows on an annual basis. At the same time, the Bank achieved 41% growth year-on in its time deposit volume, a result enabled by the right pricing offered to SME customers in TL and FC terms in line with the increased demand for time deposits owing to market conditions.

Advantageous Offers to SMEs from Yapı Kredi, the "Digital Bank of Turkey"

Yapı Kredi constantly upgrades the digital channel experience for its SME Banking customers. The target in this context is to help SMEs work more productively, to satisfy their demands, and to reduce their costs. To this end, the Bank introduced installment commercial loan allocation function on Yapı Kredi Mobile.

a productive year

Yapı Kredi had a productive year in terms of revenues and profitability driven by the success secured through the new service model introduced in SME Banking segment.

In 2018, the ratio of commercial loans made available from non-branch channels to all commercial loans extended to the customer group managed with the digital-focus service model reached 24%. The Bank aims to increase this ratio further. In addition, the Bank also continues its studies regarding digitalizing the banking services provided by portfolio managers and sales processes. Yapı Kredi moved the majority of banking systems that it serviced via desktop computers in branches to tablet PCs. Thus, SME portfolio managers are now able to access these systems on their tablet PCs and to complete a number of banking services at the customers' locations, including product sales, during customer visits thanks to digital approval and mobile document scanning capabilities. This eliminates the need to make a branch visit to satisfy the needs of SME customers, which also reduces the workload of branches, as well as paper use.

Yapı Kredi continued to offer tailored products and services to farmers out of its branch network via regional managers, underwriting and segment teams specialized in agricultural banking.

Outlook

In 2019, Yapı Kredi's activities in the SME Banking segment will focus mainly on the following:

- Focus on smaller tickets both in lending and deposit gathering
- Preserving profitability and asset quality by sustaining effective risk management and pricing approach,
- Closely monitoring early warning signals and focusing on increasing collection rates and decreasing NPL ratios,
- Giving SMEs easier access to financing resources by sustaining the partnerships with KGF, KOSGEB and other domestic and international financial institutions,
- Growing non-branch products sales by further improving the services offered via digital channels and tablet PCs.
- Offering those products and services that will attract cash flows, which consist of loan, deposit, collection and payment products, to the Bank in order to be the first choice of customers for their banking needs,

increase in time deposits

+41%

The Bank achieved 41% growth year-on in its time deposit volume, a result enabled by the right pricing offered to SME customers in TL and FC terms.

CORPORATE AND COMMERCIAL BANKING

Profile	
Branches	50
Portfolio Managers	569

Sector Position	Market Share
Corporate Loans	8.8%
Non-cash Loans	11.7%
Cheque Collections and Payments	10.9%

Products and Services

Working Capital Loans, Letters of Guarantee, Money Transfers, Long-Term Loans, Project Finance, Direct Debit System, BANKOTM-OHES, Payment Products, Collection Products, Commercial Credit Cards, POS, Public Payments, Derivatives, Import and Export Letters of Credit, Documentary Collection, Payments, Guarantees, Import and Export Financing Products (ECAs, FC Loans, Forfaiting, Import and Prefinancing Promissory Note Avalization, T. Eximbank Credits, CBRT Credits, Corporate Finance Advisory, Financial Advisory, M&A Finance, Capital Management Advisory)

Yapı Kredi has positioned itself among Turkey's leading banks in the Corporate and Commercial Banking segment with its distinguished products and services. Besides servicing a wide array of local companies, the Bank also delivers tailored services for international and multinational conglomerates. Products and services offered include project finance, cash management, foreign trade finance, corporate finance advisory, financial advisory, capital management advisory, and merger and acquisition finance under investment banking, and banking service charges management under the fees and commissions center.

Corporate and Commercial Banking serves companies with an annual turnover of more than USD 10 million, and is sub-divided into Commercial Banking and Corporate Banking.

At Yapı Kredi, six regional offices and 46 branches delivers Commercial Banking services, whereas three branches cater to Corporate Banking and one branch services International and Multinational Banking segment. In addition, Yapı Kredi offers services on an international level through its subsidiaries in Azerbaijan, the Netherlands and Malta as well as its branch in Bahrain.

Amid the volatile and challenging operating environment of 2018 in domestic and global markets, Yapı Kredi continued to provide full support to its Corporate and Commercial Banking customers with effective risk management and its customer-oriented service model. During this period, the Bank tended to reduce the concentration in Corporate and Commercial loans and aimed spreading out.

Yapı Kredi undertakes projects seeking to simplify business processes with the ultimate goal of providing even faster services to Corporate and Commercial Banking customers, using time efficiently and effectively. New technical and speciality training programs are designed for sales personnel in a bid to identify and steer customer needs through the right channels and do so with a rapid and quality service approach, given the digital solutions available in branches.

Project Finance

Yapı Kredi is a leading bank in long-term project and structured finance in the Turkish market. The Bank's project finance portfolio covers projects in infrastructure, energy, real estate and acquisition finance sectors. Through project finance, Yapı Kredi contributes to the country's development by extending support to long-term investments and establishes long-lived relations with customers. Its robust balance sheet and synergetic cooperation with UniCredit gives Yapı Kredi the muscle that allows the Bank to provide financing support to large-scale projects.

Drawing on its authentic service model and deep-rooted experience, the Bank offers a broad range of services including financial advisory, structuring, arrangement and project finance.

2018 was marked by loss of momentum in new investments due to the volatilities in financial markets, macroeconomic developments, increased funding and capital costs, low energy prices and increased costs because of fluctuating FC prices. As

financing support to large-scale projects

Its robust balance sheet and synergetic cooperation with UniCredit gives Yapı Kredi the muscle that allows the Bank to provide financing support to large-scale projects.

a result, there was a slowdown in the growth trend of project finance for the first time in the past decade across the entire sector.

In the first half of 2018, financing was provided to large-scale infrastructure projects based on PPP build-operate-transfer model and to a relatively small number of renewable energy power plants as compared with the previous years. The project finance business line displayed a flat performance in the second half of the year owing to postponed tenders and investments.

Despite this tough environment, Yapı Kredi continued to contribute to the national economy and maintained the amount allocated to projects in the order of USD 15 billion. The Bank secured a new 10-year loan for EUR 25 million from Proparco, an associate of AFD – the French Development Agency. This facility represents the latest addition to funds secured from international financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) for the purpose of contributing to the financing of renewable energy projects.

Cash Management and Foreign Trade Finance

Yapı Kredi enjoys a strong position in the sector with the cash management (both local currency and foreign currency) and foreign trade finance solutions offered through diverse channels. While delivering multinational solutions to its customers in this area, Yapı Kredi utilizes UniCredit's product scheme, as well as its experience and funding sources in its countries of operation. The cash management and foreign trade finance services of Yapı Kredi are backed by a team operating out of three corporate branches and one multinational branch in various commercial locations.

Yapı Kredi provides numerous different products and services country-wide including cash transfer services, digital banking and operational services. In addition to cash management, the Bank also provides data integration and reconciliation solutions for these products.

In 2018, Yapı Kredi further strengthened its market position in e-banking with its high performance in direct debit and BANKOTM bulk payment system, and introduced the Supplier Finance product.

Yapı Kredi also offers a variety of support services and payment management mechanisms to Turkish companies engaged in international trade. The Bank supports customers via innovative and alternative foreign trade products and solutions, as well as traditional import and export products.

Yapı Kredi Bank expands its foreign trade finance business through Turkish Eximbank Export Credit Programs, the CBRT's pre- and post-shipment financing facilities that support exports, and export credit agencies and Eximbanks of other countries, and develops long-term and favorable financing products sourced from correspondent banks for the investment needs of its customers.

As of year-end 2018, the number of customers using Yapı Kredi's cash management and foreign trade finance products was 297 thousand. The Bank commands 10.9% market share in cheque collection and payments. Yapı Kredi's market share in imports and exports stood at 16.8% and 15.2% as of end- November 2018. "In 2018, Yapı Kredi intermediated the foreign trade transactions of more than 15,000 customers. The Bank got nearly 16% share out of Turkey's foreign trade volume."

CORPORATE AND COMMERCIAL BANKING

Investment Banking

Investment Banking manages corporate finance advisory, financial advisory and capital management advisory services at the Bank.

Corporate Finance Advisory: The Corporate Finance Advisory team provides M&A advisory services to customers, especially those operating in energy, infrastructure, consumer goods, retail, finance, telecom/media/technology and general industries. The Bank focuses on cross-border transactions, acting as a bridge between its customer base in Turkey and UniCredit's customer network in Italy, Germany, and Central and Eastern Europe.

Financial Advisory: Yapı Kredi is the sector leader in project finance advisory. The Financial Advisory team assists clients throughout the entire chain of financial processes including the structuring, negotiating and obtaining the right mix of financing from various national and international lenders for their large-scale projects that can be financed within the scope of project finance. Also making use of UniCredit's expertise in the sector, Yapı Kredi is an active player primarily in infrastructure (airport, port, bridge, tunnel and highway) projects, as well as in healthcare PPPs, energy, oil, gas, mining, petrochemicals and biochemical sectors. In 2017, Yapı Kredi Financial Advisory served as a financial advisor in various projects developed with PPP model in the healthcare sector.

Capital Management Advisory (CMA): Capital Management Advisory provides consultancy services for developing sound balance sheet structure, ensuring optimum debt-equity ratios, and satisfying financial needs by using the most suitable products in line with sector-specific factors and offers the most appropriate banking products and financing options for this purpose. In addition, the CMA also intermediates all kinds of structured finance services (syndicated loans, club loans, refinancing etc.) based on balance sheet as needed by the companies.

International and Multi-National Banking

One of the first banks in Turkey to introduce a service model focused on international and multinational companies, Yapı Kredi set up IMB (International & Multinational Relationship Banking) in a bid to offer more effective and need-based service to such customers. This organization is composed of International Banking Branch, International Banking Sales and Credit Support Function and Cross-Border Banking units.

International Banking Branch offers distinguished service to international and multinational companies operating in Turkey via a team of customer representatives fluent in various languages, presenting them with specific products in line with their needs. This way, it is targeted to become a global business partner of international and multinational companies by producing solutions that address all of their banking needs.

Cross-Border Banking Function acts as the first point of contact for investors from abroad, and delivers advisory regarding Turkey and the banking system. Support is extended to account opening processes of companies with foreign shareholders in the International Banking branch or in other branches, and promotion and use of banking products stimulated in coordination with various units. On the other hand, Turkish companies seeking to penetrate international markets are provided with information enriched by UniCredit's experience and its comprehensive service network especially in Europe and CEE countries, also guiding them to the most suitable UniCredit branch for obtaining services abroad.

Outlook

In 2019, Yapı Kredi intends to achieve the following in the Corporate and Commercial Banking segment:

- Consolidate its position before customers as a business partner by offering a wide range of services from daily transactions to financial advisory
- Focus on value chain management to build stronger relationships with customers' subsidiaries and suppliers
- Continue to take part in major projects that require expertise and create added value for the country
- Continue to create a difference in customer experience by incorporating smart systems in process design
- Ensure operational efficiency through effective use of digital channels, and give priority to digital channels in sales
- Reducing concentration and spreading out through cash-flow based customer acquisition

YAPI KREDİ LEASİNG

Profile	
Customers	6,875
Branches	14
Employees	145

Positioning	Market Share
Financial Leasing Receivables	20.7%

Yapı Kredi Leasing was established in 1987, and 99.99% of its shares are held by Yapı Kredi. Having been the sector leader for the past nine years, Yapı Kredi Leasing holds a market share of 20.7% in terms of leasing receivables. Yapı Kredi Leasing continues to leave its print in the leasing sector and to stand by its customers at all times with its smart solutions, expert teams and vast experience.

Yapı Kredi Leasing preserved its solid position in the sector once again in 2018. The Company provided financing for machinery investments in the real sector, with a particular focus on manufacturing and construction equipment industries.

Yapı Kredi Leasing will seek to retain its leadership in the sector, to further consolidate its customer network and sector positioning in 2019.

YAPI KREDİ FAKTORİNG

Profile	
Customers	4,556
Branches	9
Employees	129

Positioning	Market Share
Factoring turnover	16.7%

99.95% of its shares held by Yapı Kredi, Yapı Kredi Faktoring was established in 1999.

Yapı Kredi Faktoring is differentiated from its competition with its robust capital structure and performance, in-depth experience, and its expert team that has adopted a high quality approach to service.

Yapı Kredi Faktoring holds a market share of 16,7% in total business volume, and 26,8% in international factoring volume. In addition, the company reached a total business volume of TL 24 billion, of which 71% is derived on domestic transactions and 29% on international transactions.

Yapı Kredi Faktoring renders factoring services across Turkey through its HQ in İstanbul and its branches in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, Izmir, Kadıköy and Kartal. In 2018, Yapı Kredi Faktoring kept diversifying its funding sources to provide financing to its customers at a more affordable rate.

Its close relationship with the nationwide sales and service network of Yapı Kredi Bank and the synergy created represent Yapı Kredi Faktoring's most important service and competitive advantages.

In 2018, Yapı Kredi Faktoring took the second spot in the list of "Best Factoring Companies in Turkey" by Capital magazine, one of the most prestigious economy publications.

Since 2002, Yapı Kredi Faktoring has ranked among the top companies in the Factors Chain International's Best Export Factoring Company index worldwide. In 2018, the Company was ranked third with its service assessed to be "excellent". Yapı Kredi Faktoring is also a full member of the Amsterdam-based FCI, as well as a member of the Turkish Factoring Association.

Yapı Kredi Factoring aims to increase customer numbers and penetration in all segments in 2019, while deepening relationships with existing customers.

YAPI KREDİ BANK NEDERLAND

Profile	
Asset Size	USD 2.2 billion
Customers	Over 13 thousand
Branches	-
Employees	55

Yapı Kredi Bank Nederland offers a wide array of products and services in retail, corporate and private banking, with the main objective of supporting Yapı Kredi's customer base residing abroad. Wholly owned by Yapı Kredi, the bank serves its customers out of its head office in Amsterdam.

In 2018, the bank sustained its favorable performance despite volatile and increasingly regulated market conditions. Yapı Kredi Bank Nederland offers savings and deposit products to its customers in the area of retail banking. In corporate banking, the bank provides structured commodity finance and trade finance solutions leveraging on the synergy of Yapı Kredi and UniCredit.

Yapı Kredi Bank Nederland, while continuing its trade finance activities where market conditions play a telling role, offers its corporate customers marine finance, project finance, cash management as well as Islamic banking products. In the area of correspondent banking, the bank uses the opportunities presented by money and capital markets as appropriate to its balance sheet requirements.

In 2019, Yapı Kredi Bank Nederland will focus on maintaining profitability at a sustainable level through due management of risks and regulatory compliance, while keeping customer satisfaction at the highest level. The bank will make available its internet banking service, which was initiated as a pilot project serving only a selected group of customers in 2017, to the entire customer base in 2019.

YAPI KREDİ BANK MALTA

Profile	
Asset Size	USD 212 million
Customers	Less than 100
Branches	1
Employees	8

Yapı Kredi Bank Malta was established in 2014. Having started activities in 2015, the bank mainly focuses on serving Yapı Kredi's corporate and commercial customers. As of the end of 2018, the bank increased its total assets to EUR 185 million with a 17% growth over the previous year and booked a profit of EUR 740 thousand. The bank keeps taking positive steps to improve its performance, while paying maximum attention to securing regulatory compliance.

In 2019, the bank will concentrate on expanding its customer base while considering the relevant risk management factors and on increasing its profitability by strengthening its presence in the market.

YAPI KREDİ BANK AZERBAIJAN

Profile	
Asset Size	USD 257 million
Customers	302 thousand
Branches	8
Employees	257

Positioning	Market Shares
Credit Card Outstanding Volume	6.6%
Credit Card Acquiring	5.4%

Established in 1998 and 99.80% of its shares held by Yapı Kredi, Yapı Kredi Bank Azerbaijan provides a wide range of products and services in retail and corporate banking through its eight branches located in Baku and Sumgait.

In 2018, the bank sustained its healthy performance and preserved its profitability in the Azerbaijani market where macroeconomic stability and the positive dynamics in economic activity were maintained in 2018. After narrowing down in the first half of the year, the bank's credit portfolio attained some expansion from the second half of the year in response to the recovery that resulted from the inception of an expansionary monetary policy by the Central Bank of Azerbaijan, and the government's structural reforms that continued at a fast pace. As of year-end 2018, the bank's total lending expanded by 19% year-over-year and reached USD 102 million. With a 51% loans-to-deposits ratio, the bank maintained its robust liquidity. Serving as the main funding source for the bank, deposits constituted 78% of liabilities, whereas capital adequacy ratio was comfortably above the regulatory requirement at 23.79% at the end of the year.

In 2019, Yapı Kredi Bank Azerbaijan targets to increase its customer penetration, preserve and further increase its profitability, maintain effective cost management and enhance operational efficiency in line with the regulatory changes that are anticipated to impact the banking sector positively.

PRIVATE BANKING AND WEALTH MANAGEMENT

Profile

Private Banking Service Locations	22
Portfolio Managers	152

Products and Services

Mutual Funds, Smart Fund Basket, Yapı Kredi Bills and Bonds, Private Sector Bills, Eurobond, Indexed Time Deposits, Fund Deposits, Equity Market, BorsaCepte, TradeBOX, FXBOX, Warrants, TurkDEX Transactions, Derivatives Market (VIOP) Transactions, Structured Products, Derivatives, Art Loan, Boat Loan, Tax, Real Estate, Inheritance, Education, Philanthropy and Art Consultancy

Yapı Kredi offers private banking service to its customers with financial assets worth more than TL 500 thousand. Yapı Kredi carried on with its activities in private banking and wealth management in 2018 with TL 61 billion in client assets, 22 private banking locations and 19 thousand customers.

Yapı Kredi Private Banking offers integrated wealth management through the Bank's subsidiaries, Yapı Kredi Invest and Yapı Kredi Asset Management, as well as the entire range of banking products and services for all financial needs of its clientele.

Sustained Leadership

Yapı Kredi Private Banking displayed a positive performance enabled by its approach prioritizing financial expectations and needs of its clients, and strong customer communication. Private banking deposits rose to TL 41.3 billion, mutual funds to TL 4.8 billion, assets under custody to TL 4.5 billion, stocks to TL 7.5 billion, pension funds to TL 990 million, and other investment products to TL 2.5 billion.

Yapı Kredi Private Banking manages assets worth TL 61 billion in total via its 22 Private Banking Locations, six of which are outside İstanbul, and maintains leadership position in the sector on the back of a broad product range that fulfils the expectations and risk perceptions of its clients.

In spite of the challenging market conditions of 2018, Yapı Kredi Private Banking was able to secure new customer acquisition and increased depth with its existing clients thanks to its strong brand perception and intensive customer communication, and targeted a focused performance aligned with the market conditions through quality product issuances, in particular.

In line with the vision of being the digital bank of Turkey, the Bank has launched new functions for investment products offered to customers on digital channels and will maintain its focus on this topic.

Customer Satisfaction Focus

Yapı Kredi Private Banking continued to focus on not only financial needs but also non-financial expectations of its customers as part of its holistic approach to wealth management.

Tax, inheritance, real estate, education, art and philanthropy consultancy services for the customers are being provided through first-rate contracted firms and customer demands are received both via branches and Internet banking. In addition to one-on-one consultancy services, educational advisory seminars in special events were organized for Private Banking customers, as well as the tax consultancy week in March that has now become an annual event.

In addition, cultural trips that are received with great interest from Private Banking customers continued to be organized, and exclusive exhibition visits and tours were carried out thanks to the partnership with Yapı Kredi Culture and Arts.

Outlook

- Expanding the customer base by focusing on products and services aligned with the financial expectations and needs of diverse customer groups
- Digitalizing the sales force and processes so as to boost productivity
- Diversifying the portfolio with a long-term investment approach

YAPI KREDI ASSET MANAGEMENT

Profile	
Employees	61

Positioning	Market Share
Mutual Funds	11.2%

Yapı Kredi Asset Management has consistently maintained its leading position in the sector since 2002. In 2018, the company adjusted to the changing market conditions and offered Discretionary Portfolio Management and Investment Advisory services, in addition to its products tailored to meet the diverse needs of its clients.

Yapı Kredi Asset Management is committed to responding optimally to its clients' needs on the basis of a broad range of investment products positioned according to different market conditions via;

- 30 mutual funds under its management,
- a total of 25 pension mutual funds of six different pension companies,
- discretionary portfolio management models in diverse asset classes and investment advisory service designed according to the needs of its 645 individual and 10 institutional clients.

In 2018, Yapı Kredi Asset Management successfully maintained its second place in mutual funds with 16.6% market share and total assets under its management were worth around TL 20 billion.

The company's achievements have been crowned with a number of prestigious national and international awards. While Yapı Kredi Asset Management was named the Leader of Pension Fund Returns by the Turkish Capital Markets Association (TCMA) for the third consecutive year, the company was also recognized with 9 different awards by 6 different international organizations, including best asset management award.

In 2019, Yapı Kredi Asset Management will remain committed to be beneficial to the sector and the country, and will continue to offer the optimum products that will yield the highest return for investors.

YAPI KREDİ INVEST

Profile	
Employees	216

Positioning	Market Shares
Equity Transaction Volume	11.1%
Futures and Options Transaction Volume	15.8%

Yapı Kredi Invest is among Turkey's leading investment houses with more than 20 years of experience in capital markets. As a 99.98%-owned subsidiary of Yapı Kredi, the company aims to be a one-stop shop in delivering solutions for its customers, and handles a wide array of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services.

Yapı Kredi Invest continues to prioritize digital channels to develop simple and rapid solutions tailored to meet customer needs. Meanwhile, remaining close to its customers to better satisfy their needs and support their decision-making process with in-depth research remains a fundamental element of the company culture.

Yapı Kredi Invest consistently ranks amongst the top tier investment institutions in terms of business volume and profitability. The company authored firsts in the sector with new product launches in 2018, and maintained its leadership position in equity transaction and futures and options transactions volumes despite the challenging market conditions.

In 2019, Yapı Kredi Invest will continue to offer its customers unique, high quality products tailored to meet their needs in changing market conditions to ensure sustainable growth and development. The company aims to increase the diversification of services offered particularly through digital channels, as well as attaining higher quality and faster service delivery. Yapı Kredi Invest will also continue to invest in its infrastructure in a bid to better serve the needs of its customers.

TREASURY

Global and domestic markets displayed a volatile course in 2018.

In 2018, the outlook of emerging markets presented a volatile course owing to the anticipated rate hike by the US Fed, geopolitical events and sharp decrease in oil prices. In addition, as a result of the changes in the CBRT's interest rate decision and the turbulence that dominated the markets in August, 2018 went down in the records as a year of fluctuating prices in Turkey. During the reporting period, net capital inflow into the markets acquired a different nature, which in turn made an impact on the currencies of the countries in question.

An approach focused on effective liquidity management and diversified funding base

Yapı Kredi navigated determinedly through this challenging and unsteady environment throughout the year and effectively managed its liquidity and further diversified its funding base, drawing on its experience in interest and exchange rate risk management. On another front, the Bank kept fulfilling the Turkish manufacturing industry's need for financing with the product versatility and maturity profiles made available within the frame of asset and liability management.

Yapı Kredi Treasury Management operates through its Treasury and Financial Institutions groups.

Treasury

The Treasury is in charge of managing the Bank's liquidity requirements, interest rate risks, foreign exchange position and also controls its investment portfolio.

Fixed Income Securities

Yapı Kredi is one of the 13 market-makers designated by the Republic of Turkey Undersecretariat of Treasury. Having remained an active player in the securities market throughout 2018, the Bank's market share in the BIST bonds market was 14.89%. Furthermore, Yapı Kredi borrowed TL 6.92 billion from the domestic market through 33 issuances in total in 2018. The Bank also remained adhered to its strategy of utilizing repo funding as a short-term liquidity management instrument.

Money Markets and Balance Sheet Management

The Money Markets and Balance Sheet Management Unit managed the interest rate risks associated with the Bank's on and off-balance sheet liabilities in a manner that is highly responsive to market developments and in line with the Bank's Risk Policy. Accordingly, the Bank created a flexible balance sheet structure by paying regard to effective management of liquidity positions as well as loan and investment portfolios, risk-return balances, and customer requirements.

Thanks to its high credibility, Yapı Kredi continued to secure low-cost, long-term funding from international financial markets through various debt instruments in 2018.

Foreign Exchange and Derivatives

The Foreign Exchange and Derivatives Unit handles the pricing of all kinds of commodities and derivatives, as well as of spot and forward foreign exchange on international markets. The Unit ensures effective pricing that is aligned with the Bank's position and market conditions, while developing various derivative products by taking into account customers' needs associated with OTC derivatives markets.

According to the CBRT data, in 2018, Yapı Kredi was responsible for a total trading volume of USD 277 billion on the interbank market, with FX transactions accounting for USD 93 billion of that figure and derivative transactions for USD 184 billion. As a result, the Bank got a market share of 11.4% in interbank market FX transactions, and 11.3% in derivative transactions.

In 2019, Yapı Kredi targets to extend its market-maker role in fixed income securities to other organized markets.

Treasury Marketing

The Treasury Marketing Group offers financial advisory services to customers from all segments with its technological infrastructure and know-how. Besides offering competitive prices for all products, the Group also develops derivative products tailored to specific financial needs of customers.

The Treasury Marketing Group will continue to fulfil customer needs in a faster and more effective manner thanks to technological infrastructure offered to customers with ongoing studies for further development.

Budget Planning and Financial Monitoring

The Budget Planning and Financial Monitoring unit focuses on effective management of the Bank's balance sheet and income statement in accordance with the risk management principles. The unit also analyzes the effects of changes in market conditions on the Bank's profitability and operations, and extends support to other units of the Treasury.

Financial Institutions

Correspondent Banking

2018 has been yet another successful year for Yapı Kredi in terms of correspondent banking activities despite the fluctuations in global and domestic markets. Throughout the year, the Bank delivered foreign trade finance services to its customers with its network of nearly 2,100 international banks. Successful correspondent banking activities resulted in the renewal of syndicated loans and gradually increased market share in foreign trade finance.

Highest number of participants

In May 2018, Yapı Kredi renewed its syndicated loan. The facility with a maturity of 367 days and two years comprised of four tranches in terms of USD and EUR. The loan in the total amount of USD 382 million and EUR 923.1 million is designed to fulfill the pre-export funding needs of customers.

Having the largest lender base among its kind at the time of its execution, the facility has been provided with the participation of 48 banks from 15 countries. The syndicated loan carried an all-in cost of Libor+1.30% and Euribor+1.20% for the 367-day tranche, and Libor+2.10% and Euribor+1.50% for the two-year tranche.

Highest amount and number of participants

In October, Yapı Kredi successfully rolled over a second syndicated loan in two tranches, comprising 367-day and two-year terms in USD and EUR, raising USD 275 million and EUR 690.7 million. The dual currency term loan facility, secured to finance foreign trade, was participated by 27 banks and was the highest amounted and participated syndicated loan at the time. The all-in cost of the facility was determined as Libor+2.75% and Euribor+2.65% for the 367-day tranche in keeping with the market developments.

In addition to syndicated loans, Yapı Kredi continued to increase its market share in funding transactions linked to foreign trade, as well.

Throughout the year, Yapı Kredi extended support to Turkish contractors' projects abroad also through import and export letters of guarantees, letters of credits and other foreign trade products. Its ever-improving and long-lived correspondent relationships, high-quality services and wide array of products further cemented Yapı Kredi's leadership in foreign trade among the financial institutions in Turkey.

International Debt and Capital Markets

Funds worth USD 3.7 billion from overseas markets

In 2018, despite a highly volatile market, Yapı Kredi continued to secure funds from international markets by diversifying its funding sources and secured international funds worth USD 3.7 billion thanks to its robust international relations and solid shareholding structure.

With its Eurobond issue carried out in March 2018, the Bank secured funds in the amount of USD 500 million from international markets. On the other hand, two issuances worth TL 640 million were realized within the scope of the Mortgage-Backed Securities Program launched in 2016. Yapı Kredi secured a funding of USD 290 million in total under the Diversified Payment Rights (DPR) securitization program for long-term funding purposes.

Throughout the year, the Bank secured various funds from international markets also by way of dual loans.

Outlook

On the back of the activities of Treasury and Financial Institutions groups, Yapı Kredi aims in 2019 to:

- fulfill the manufacturing industry's need for financing,
- maintain its leadership in correspondent relationships and further expand its correspondent network,
- further increase its funding diversity,
- maintain its disciplined approach to sustain solid liquidity and funding position.

ALTERNATIVE DISTRIBUTION CHANNELS

Profile	
ATMs	4,330
Active Digital Banking Users	5.4 million
Mobile Banking Application Downloads	17 million
Annual Call Center Contacts	97 million
Annual Call Center Sales	7 million

Positioning	Market Share
ATMs	8.6%
Digital Banking	12.3%

An approach putting customer experience in its focal point

Succeeding numerous breakthroughs in the sector as the "Digital Bank of Turkey", Yapı Kredi continued to invest in non-branch channels in 2018 and put customer experience in the focal point of its activities in order to be one of the leading banks in the sector.

Regarding Alternative Delivery Channels, the Bank's goal is to create value both for the bank and the customers by the way of increasing direct product sales and cross-sales, lean provision of after-sales services, decreasing service costs, and enhancing customer satisfaction. As part of its digital banking concept, Yapı Kredi targets to produce products and services that will quickly respond to the changes in customers' lifestyles and usage habits, and aims to provide tailored solutions to customers' needs in the light of technological developments.

The Bank carried on with its "Uniform Experience" efforts in 2018, designed to offer a unified look and experience across all channels. Mobile banking has been positioned as the Bank's remote control, allowing single-point management of all banking transactions. In line with this strategy, the introduction of "Video Transaction Assistant" on Yapı Kredi Mobile enables becoming a customer of the Bank without visiting the branch. In 2019, the Bank will further expand the scope of its efforts regarding the digitalization of numerous services received from the Bank's branches and delivering a uniform experience on all channels.

The range of products sold through Digital Banking increased to 45, while 80 different products became available for direct or cross-selling through the Customer Relations Center, thanks to the Bank's upgraded infrastructure. In 2018, the share of ADC sales within total general purpose loan sales went up to 67%, while credit card penetration reached 54%.

In 2018, Yapı Kredi has increased its Mobile Banking penetration to 88%. Accordingly, the share of non-branch channels within total banking transactions increased from 56% in 2007 to 92% in 2018. The share of digital channels in non-cash transactions went over 96%, and the penetration of deposit transactions through non-branch channels reached 55% in the reporting period.

Keeping pace with the technology, speed, correct communication, and simple and integrated experience have become the key factors in bank selection of customers. On the back of its efforts and activities targeted at being the choice of customers on all channels, Yapı Kredi acts with a vision of ensuring a perfect customer experience by establishing empathetic communication, designing proactive processes, and increasing transparency.

Video Transaction Assistant

The introduction of "Video Transaction Assistant" on Yapı Kredi Mobile enables becoming a customer of the Bank without visiting the branch.

Digital Banking

Products and services adding value, speed and flexibility to customers' lives

Having preserved its pioneering position in digital banking in 2018, Yapı Kredi, the "Digital Bank of Turkey", has been increasing its investments in digital channels and especially in mobile banking every year. In line with its target of bringing new technology to its customers in the most practical way and at the right time, the Bank keeps introducing groundbreaking innovations in the sector and making life easier for its customers.

Yapı Kredi designed the experience of becoming a customer for the first time in view of evolving customer expectations and making use of state-of-the-art technology. Under this new service model that is a first in Turkey, users can contact Video Transaction Assistants via Yapı Kredi Mobile and become a customer of Yapı Kredi without visiting the branch. In addition, the Bank launched World Virtual Cash Card, which is a prepaid virtual card product. By transferring money to these cards, customers are able to perform various transactions including online shopping, bill payments, GSM card topping, etc.

The Bank began offering service to customers via WhatsApp verified business account, a first in our country. This new feature lets users DM their requests to Yapı Kredi using their mobile devices whenever they wish, and quickly receive detailed information about the products and services they need. Running in integration with the AI-based chatbot, Yapı Kredi WhatsApp service instantly responds with the requested information, and refers the user to a real person solution agent, if necessary. The Bank further improved the Banking Bot application, one of its first steps in the area of artificial intelligence in 2017, as a result of which the app acquired the capability to provide the most appropriate answers according to the flow of the dialogue. Currently, 80% of calls received via WhatsApp are being answered by the chatbot.

Yapı Kredi expanded Yapı Kredi Pay services with three new payment solutions. The Bank offers mobile payment solutions that facilitate life, making use of the digital transformation of payment systems. In online shopping, customers can scan the QR code to make their payments via Yapı Kredi Mobile. When buying gas at Opet gas stations, customers can now make their payments via Yapı Kredi Mobile without leaving their cars using the "Payment

Mobile Banking penetration

88%

In 2018, Yapı Kredi has increased its Mobile Banking penetration to 88%.

ALTERNATIVE DISTRIBUTION CHANNELS

95.8%

The ratio of non-cash transactions performed through digital channels has reached 95.8%, showing that Yapı Kredi customers are able to carry out their banking transactions whenever and wherever they want.

From Inside the Car" function. Moreover, payment from account can be easily and quickly realized on the revenue administration website (gib.gov.tr) by entering the Retail Internet Banking password.

With an innovative approach, Yapı Kredi began using the NFC technology for logging into the mobile banking app, a first in Turkey. Bank customers just need to hold their credit cards close to their NFC-enabled mobile phones to log in to Yapı Kredi Mobile, and enter their PIN for their cards.

Yapı Kredi Mobile login screen now features the "Jet Transactions" menu, which enables performance of withdraw/deposit cash via QR Code, Cash to Mobile and Yapı Kredi Pay transactions much more easily and quickly. Additionally, on its customers' birthdays, Yapı Kredi greets them with an interactive screen when logging into Yapı Kredi Mobile, and replaces the app icon with a customized birthday theme.

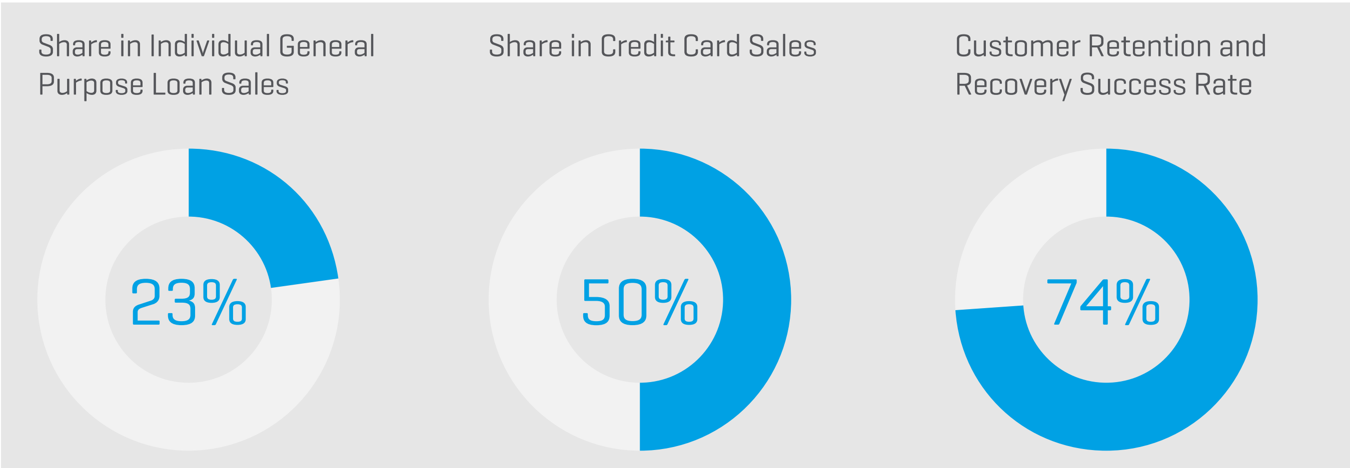
Via its new service My Smart Broker offered on Yapı Kredi Mobile and Internet Branch, the Bank provides easy-to-understand share advices to its customers, offering them the possibility to make investments quickly. Furthermore, customers are now able to do regular savings via Yapı Kredi Mobile and Retail Internet Banking with FX and Gold Saving.

In 2018, the Bank enriched sales products and functions on its digital channels. The Bank also carried on with developments that will enhance the sales experience with a view to giving customers easy access to the products they need, and to offering them proactive solutions.

The Bank started offering Findeks packages through Yapı Kredi Mobile and Internet Banking both to individual and corporate customers. A new product named Digital Protection Insurance was introduced in cooperation with Allianz, providing the customers with protection against digital risks. Customers can easily apply for this policy through Yapı Kredi Mobile and Internet Banking. Also, customers can easily and quickly get motor own-damage quotations for themselves or others, and receive their policies at any time.

The Bank has made it possible for customers to withdraw and deposit money quickly via QR Code, make a Swift Transfer to any FC account in or out of the country, and easily perform their tax payment, stock trading and bond payment transactions. Yapı Kredi Mobile and Internet Banking now allow payment of POS receivables with a single instruction without waiting for the due date using POS Avans. Yapı Kredi customers can also apply instantly for a business card from Corporate Internet Banking. Corporate Internet Banking, on the other hand, now feature concessional loan, cheques/notes payment, divide customs duty payments into installments, automatic SSI and tax payment orders, Vodafone TL top-up functions. The ratio of non-cash transactions performed through digital channels has reached 95.8%, showing that Yapı Kredi customers are able to carry out their banking transactions whenever and wherever they want. By launching digital developments that directly increase transaction speed, the Bank creates benefit for its customers in terms of both cost and efficiency, driving up customer satisfaction even further.

Customer Relations Center



As a result, in 2018 digital channels had the highest share among all financial transactions. Half of individual general purpose loans occur through digital channels.

Pioneering the digital transformation of banking, Yapı Kredi supports a corporate culture that embraces innovation perspective. The Bank continues to make a difference in the sector by making customers' lives easier with innovative products and services. Over the past year, the Bank's digital channels received 40 awards, 32 of them from international institutions. While garnering a total of 13 awards -4 gold, 5 silver and 4 bronze medals- at the Stevie Awards, one of the world's most prestigious recognition programs in business, the Bank was also awarded the Grand Stevie. Yapı Kredi received six awards from Global Finance, one of the most eminent publications in the world.

Smart Assistant, an alarm and notification system that informs customers about banking transactions via SMS, email or push notifications, was enriched with new notifications. The number of users exceeded 7 million in 2018.

Yapı Kredi carried on with its Code. YapıKredi program also in 2018, which was launched to support youth and entrepreneurs in designing the banking business of tomorrow. The platform provides financial technology programming interfaces (OpenBankingAPI) to entrepreneurs, thus supporting the development of the fintech ecosystem. In 2018, Yapı Kredi launched Code.YapıKredi Accelerator Program for those wishing to grow their startups. Those who are admitted to the program gain access to training programs and services provided by the Bank. Under the program, entrepreneurs are also provided with the work spaces of KWORKS, along with all technical and infrastructure support they will need. The program is intended to support entrepreneurship in line with the Bank's goals and to contribute to the country's competitive power on the global arena.

Customer Relations Center

Over 97 million contacts in total

The Customer Relations Center continues to provide 24/7 service in English and Turkish, making use of a variety of communication tools including inbound and outbound calls, IVN, chat, e-mail, social media, chatbot, video call, WhatsApp and interactive voice response system. In this context, the Center handled over 97 million contacts in 2018.

The Customer Relations Center continued to be a strong sales channel in 2018, selling 7 million products and services. The Customer Relations Center is accountable for 23% of total individual general purpose loan sales and approximately half of credit card sales. Acting as the Bank's main channel for customer retention and recovery, the Customer Relations Center achieved a 74% success rate in these activities. The expanding product range reached 74 products in 2018.

ATM upgrade

1/3

In 2018 Yapı Kredi carried out the sector's most extensive ATM upgrade and replaced 1/3 of its ATM network with ATMs equipped with the latest technology.

solution time

<1 day

By decreasing the solution time of customer objections and complaints from 2.1 days to less than 1 day Yapı Kredi rose to leader position in this arena in the sector.

Also in 2018, the Customer Relations Center has carried out comprehensive activities with the goal of 360 degree management of customer experience and seamless provision of services. In parallel with the Bank's vision of digitalization, the IVR system has been revamped, and a new voice command system was launched, which gives customers much faster access to the information they need. Self-service penetration through this channel was increased to 70%.

Activities carried out by the Customer Relations Center to increase depth in different customer segments of Yapı Kredi continued in 2018 for Platinum and Micro SME customers. Certain customers of the Platinum segment started receiving remote one-to-one portfolio manager support. Within this scope, customers identified according to specific criteria can now receive the portfolio service offered by branches also from the Customer Relations Center. Micro SME teams increased the diversity of services and began selling new micro SME POS devices, packages and business cards. Activities aimed to increase the number of customers and secure greater depth with the customers continued.

The video channel, which is designed to support digitalization and enhance customer experience, went live in 2018. Focusing on new customer acquisition within the scope of video banking, the Customer Relations Center undersigned yet another first in Turkey and enabled becoming a customer of the Bank without visiting the branch. In this implementation that makes customers' lives easier, Video Transaction Assistants make a video call to perform a remote transaction, during which they also get the customer's identity details. In December when video banking service was launched, nearly 1,000 customers were included in Yap Kredi's portfolio.

All these efforts and introductions resulted in 4% increase in customer satisfaction ratio during 2018. Successfully integrating new technology thanks to its innovative and solution-oriented approach, Yapı Kredi Customer Relations Center was awarded in the 'Best Customer Insight Initiative' category at the European Contact Center and Customer Awards with its multi-award winner Speech Analytics, which allows proactive action by predicting the customers who are likely to file a complaint.

ATM Network and Self-Service Banking

In 2018, Yapı Kredi brought the sector's most extensive ATM upgrade project to completion.

Ranking among the top five banks in Turkey in terms of ATM coverage with an ATM network of 4,330, Yapı Kredi carried out the sector's most extensive ATM upgrade and replaced 1/3 of its ATM network with ATMs equipped with the latest technology. The Bank also sustained its growth strategy in non-branch channels for the ATM network.

All ATMs of the Bank feature both cash withdrawal and cash deposit capabilities. The share of Recycle ATMs increased to 71%, further strengthening the leading position in the sector.

9 out of 10 cash transactions that are done at the Bank were carried out using ATMs.

The pioneering position in the sector was preserved through the introduction of Deposit Cash via QR Code in 2017, and Cash/ Cash Advance with Installment via QR Code and Withdraw/ Deposit Cash via QR Code for corporate customers in 2018, in addition to the Withdraw Money via QR Code that was made available on Yapı Kredi Mobile in 2016. Hence, digital banking customers who prefer to use the ATM channel for their cash transactions are able to easily perform cash withdrawal/deposit/cash advance or installment cash advance transactions from their TL, USD or EUR accounts with QR Code, without the need for a debit or credit card and without touching the ATM. With the new functions incorporated, over 2 million QR transactions were carried out per month. The number of these transactions is increasing rapidly.

As part of the vision of increasing financial access, Yapı Kredi continued to add new features to the menus of common ATMs. Debit/credit card transactions, and account transactions using credit cards were added to the already available features of cash deposit, credit card debt payment, credit card debt/limit querying, thus expanding the range of services customers of other banks can benefit from at Yapı Kredi ATMs whenever they need it.

Yapı Kredi moves ahead with its initiatives in keeping with the vision of making ATMs the only channel for cash transactions. To this end, the Bank will continue to upgrade its ATM network and to expand its ATM network particularly in non-branch channels in 2019.

The Bank's efforts in 2018 were crowned with the international award received.

Innovation and Customer Experience

Established in line with the vision of achieving excellence in customer experience in all channels in 2017, the Innovation and Customer Experience Division analyzes customer satisfaction survey results, social media activity and complaints, conducts focus group studies with customers to improve the identified areas of development and gets customers' opinions before launching new designs. Using this method, 36 improvements were put into life in 2018. Besides these improvements, one of the two finalized major projects was selected as Best Practice within the UniCredit Group. Yapı Kredi will carry on with its innovation and customer experience initiatives with the same perspective in 2019.

Handling customer demands, suggestions and complaints in the fastest manner possible is a top priority Yapı Kredi places much emphasis on. By decreasing the solution time of customer objections and complaints from 2.1 days to less than 1 day thanks to the improvements developed based on customer feedback and outcomes of analyses performed on internal systems, Yapı Kredi rose to leader position in this arena in the sector.

The Bank encourages innovative conceptions in order to improve customer experience. In 2018, 91 ideas of employees were accepted and submitted to relevant business units for project development. Ideas of 51 employees were implemented in 2018.

Outlook

2019 goals of Yapı Kredi in the area of Alternative Distribution Channels are outlined below:

- Continue to offer digital services based on new service models and leading innovative solutions in today's digitalizing world
- Keep working towards achieving uniform, consistent and excellent customer experience on all channels
- Carry out investments backed by technological advancements to enhance customer experience and provide faster services
- Ensure a perfect customer experience by maintaining empathic relationships, designing proactive processes and increasing transparency on the back of activities targeting to deliver an experience of preference on all channels

INFORMATION TECHNOLOGIES AND OPERATIONS MANAGEMENT

Information Technologies

Based on its innovative approach focused on continuous improvement, Yapı Kredi Information Technologies carried on with initiatives that enrich customer experience in 2018. The Bank kept pioneering product developments and digitalization, giving the forefront to productivity, service quality and swift service.

2018 saw additional important projects that contribute to increasing digitalization of Yapı Kredi:

- The Bank has been the first in Turkey to enable new customer relationship initiation with the Bank through video call via Yapı Kredi Mobile, eliminating the need for a trip to the branch.
- Tablet PCs were distributed to SME portfolio managers in order to increase the efficiency of customer visits and to offer rapid and digital service to customers also when away from the branch. The tablet PC application gives access to the banking system, enabling customer acquisition and product sales with digital approval away from the branch. In addition, portfolio managers are provided with the capability to make video calls with regional office and head office teams, in case of necessity.
- 89 new functions were launched on the Mobile Banking channel.
- Studies regarding data quality and analytics technologies continued in order to offer better service to Yapı Kredi customers.
- Aimed at increasing the cross-selling capabilities on digital channels, integration of smart structures based on data analytics and real-time calculations was brought to completion.
- Customer data quality score was maximized in all segments as a result of data quality enhancement actions.
- The necessary risk model and system configurations were developed at the Bank for the approach based on internal rating, and application was filed with the related agencies. The process is ongoing for their introduction.
- Cyber security investments continued at an increasing extent, along with the studies focused on service continuity and cost optimization within the scope of Information Technologies.

Efforts were carried out successfully to simplify banking implementations and increase the degree of automation.

- Automation of financial analysis, one of the most critical steps of commercial customer risk assessment, machine learning and natural language processing techniques were launched. This served to increased operational efficiency and to speeding up risk assessment processes at Yapı Kredi. The R&D team continues to work on increasing and developing natural language processing and machine learning capabilities.
- SME service model revision was put into life for effective management of SME customers, and customer satisfaction was enhanced through simple and swift processes.
- Limit model simplification project initiated to respond to loan requests more quickly and to increase productivity was brought to completion.
- Projects aimed at the diversification of the Bank's loan collection channels was finalized, with positive outcomes on loan collections already achieved.
- Kredi taleplerine daha hızlı cevap vermek ve verimliliği artırmak amacıyla başlatılan limit modeli sadeleştirme projesi tamamlanmıştır.
- Bankanın kredi tahsilat kanallarının çeşitlendirilmesine yönelik projeler tamamlanmış, kredi tahsilatlarında olumlu sonuçlar elde edilmiştir.

Operations Management

In keeping with the motto "Dedication to Deliver", studies continued in order to offer the best customer experience in operations management.

Service Quality

- Operation completion rates, which were significantly improved in previous years, remained high.
- 98% of transactions referred to central operations were finalized without getting back to the branch and/or customer.
- Completion time of high-volume transactions improved by ~15% as compared with the previous year and was down to 14 minutes.
- A special team was set up under the central operations organization with the objective of responding optimally

to corporate and commercial customers' service requests and enhancing customer experience.

- Operational transactions handled centrally increased by 15% year-over-year, resulting in leaner service provision from branches and enhanced quality of service offered to customers.

Productivity

- In 2018, branch service model was redesigned and Single Point service model was introduced at 400 branches in a bid to increase efficiency of services offered to customers. With the service model redesigned within the frame of customer-centric relationship management, lobby waiting times were reduced and customers began receiving various services from a single point while seated. Digitalization and centralization of operational activities carried out at the branches continued.
- Customer facing screens, which were started to be used in all Yapı Kredi branches, allowed much faster and increasing number of product sales and service delivery in paperless environment without wet signatures. A project was launched, which is intended to get documents pertaining to 32 products, mainly associated with loan, insurance, investment products and account transactions with digital approval, saving one hour per day for sales teams. Altogether, these developments served to save 15 million sheets of paper in 2018. For the first time in the Turkish banking sector, customer inauguration transactions were digitalized for real persons and sole proprietorships.
- With the artificial intelligence and Robotic Process Automation (RPA) launched at the Bank, activities performed by humans were automated and started to be carried out by digital sources (robots). With one of these projects, namely the Digital Workforce Project, our Bank was given Operational Excellence Award by VISA Europe.
- All steps of Yapı Kredi İstanbul European Cash Center were completed, and cash processing and custody authorization was received on behalf of the CBRT.

Operational Risk

- Processes and infrastructural systems aimed at increasing automation-backed controls in central operations continued to be introduced.
- Thanks to the structure monitoring customer behavior with the objective of preventing fraud and counterfeiting, and to automated customer communication, anti-fraud actions were enabled without any negative impact on customer satisfaction, and 52% reduction was secured in the number of customers exposed to fraudulent acts.

Outlook

In the light of all these developments, product and service delivery to customers will continue in the similar manner on all channels, and the scope of digital experience provided in and out of branches will be further expanded. In parallel with the strategic principles of the Bank, strengthening asset quality, optimization of operational and service models, digital transformation projects, data management and analytics are set as priority areas.

2019 goals of Yapı Kredi Information Technologies and Operations Management include the following:

- Enriching the range of cash management and foreign trade products offered to corporate customers through Internet and mobile banking channels,
- Introduction of behavior based threat detection systems, which also employ further analytics and machine learning technologies, in order to increase the security of transactions customers perform through any channel,
- Commencement of corporate cloud use with the objective of ensuring speed, scaling and cost optimization in technological infrastructure management,
- Closer and more efficient service offering to commercial and SME customers with the new mixed service model,
- Rolling out the Single Point Service model across all Yapı Kredi branches, which cuts the waiting time and enables service delivery to customers while they are seated,
- Continue digitalization of processes and services while maintaining the Bank's focus on delivering the best customer experience,
- Increasing digital product/service capacity provided in and out of branches and reducing paper use,
- Broadening the scope of branchless customer acquisition and digital product sales, and offering service to more customers,
- Increasing automation and straight through processing capacity,
- Expanding the scopes of artificial intelligence (NLP based) and implementations that rely on robot technologies to fulfill customer requests and sales processes of specific products, ultimately making customers' and employees' lives easier,
- More efficient use of technology in preventing fraud and misconduct.

HUMAN RESOURCES

Profile	
Number of Group Employees	18,448 (Bank: 17,577)
Average Age	36
Average Working Period	10 years
Share of Female Employees	62%
Share of University Graduates	90%
Share of Employees Fluent at Least in One Language	26%

Yapı Kredi works with the vision of being the organization that sets the course of HR practices in Turkey.

Yapı Kredi's HR Policy is designed to unleash employees' potential, build their performances, support their career development, and help establish the balance between professional and private life.

Human Resources Policy

The Bank's human resources practices are mainly based on its Employee Guidelines. These guidelines inform employees about HR practices and set employment terms and conditions from an administrative point of view.

The Guidelines are intended to inform and provide consultancy to employees about all matters relevant to employee relations such as employee selection, placement and development in line with employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc.

The Bank's Human Resources and Organization Management carries out its operations in line with the principle of non-discrimination on the basis of race, gender, nationality, age, religion, political affiliation and physical disability and being respectful of privacy and civil rights. Job descriptions, performance and rewarding criteria are announced to all employees.

Under Law no. 6356 on Trade Unions and Collective Labor Agreements, a Collective Bargaining Agreement is in place between the Bank and the Union of Bank and Insurance Workers. This agreement sets out the rights and duties of the parties regarding the matters related to employment contracts of the Bank's union-member employees and other matters concerning the relations between union members and the employer. The agreement also indicates solution paths in the event of possible conflicts between the parties.

57% of Yapı Kredi employees are union members and Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2017 to 31 March 2019.

There is an "Employee Relations Advisory Board" formed of representatives assigned by the Employer and the Union, which work to preserve labor peace and contribute to increasing productivity.

Human Resources Practices

Employee Experience and Employer Brand

The heading covers all activities carried out to upgrade Yapı Kredi employer brand perception in the eyes of students, candidates and employees. Taking the lead in this context are youth surveys, university events, Digitalent, trainee programs, social media initiatives, press publications and summits addressing students and candidates. The highlights of the activities directed towards the employees include engagement, preference and expectation surveys, employee experience projects and internal communication activities.

Recruitment

Yapı Kredi Human Resources team carries out its activities with the goal of selecting the right talents in line with the Bank's strategic goals and values. Various tools are used to place the right talents in the appropriate positions such as tests, interviews, assessment center and personality inventory. The Bank received 685,500 applications in 2018. During the year, 6,900 interviews were held and 1,809 people were recruited.

Training Programs and Yapı Kredi Banking Academy

Yapı Kredi Banking Academy (YKBA) is responsible for coordinating the development activities for all employees of Yapı Kredi, domestic subsidiaries and Yapı Kredi Azerbaijan. YKBA provides development programs via 250 in-house trainers, leading consultants and academics to employees, their families, customers and university students.

Yapı Kredi offers its employees specially designed certification programs in cooperation with local and international universities, as well as reputable institutions such as The Bankers Association of Turkey. Yapı Kredi also has partnership agreements with Koç University, Bilgi University, Bilkent University, Kadir Has University, Özyeğin University, İstanbul Ticaret University, Bahçeşehir University and Yeditepe University, under which graduate programs are provided to employees with a special discount.

In 2018, 795,117 hours of training were given to 18,240 participants.

Career Development

As part of Yapı Kredi's career development activities in 2018, 9,312 employees were appointed to new positions and 2,044 employees were promoted to new positions.

Leadership and Talent Management

Talent management and succession planning activities seek to assess the performances and potentials of employees working at different levels of the Bank, and to devise and implement development programs customized for their career goals. In addition to leadership and talent development programs jointly run by its principal shareholders, Koç Holding and UniCredit Group, the Bank continues to support the leadership development of employees with educational and development activities designed in cooperation with the leading business schools in the sector and universities.

Employee Support Services and Benefits

Yapı Kredi offers various fringe benefits to its employees, such as health insurance, life insurance, employee support program, shuttle services, contributory private pension and Koç Ailem (My Family) Card that provides advantages in a variety of organizations.

Senior management and employees receive fixed and performance-based income in accordance with the Bank's Remuneration Policy. More detailed information is provided in Article 5.6 of the Corporate Governance Principles Compliance Report.

Outlook

Yapı Kredi's 2019 goals in relation to Human Resources include the following:

- To be the organization that sets the course of HR practices in Turkey
- Support the employees in unleashing their potentials in the process of achieving the Bank's goals
- Raise the best banking professionals in the Turkish banking sector
- Organize training programs and events for employee development in line with the Bank's digitalization strategy

OTHER SUBSIDIARIES

Yapı Kredi Koray Real Estate Investment Trust

Established in 1996, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development. With 30.45% of its shares held by Yapı Kredi, the company is publicly traded on Borsa İstanbul with a market capitalization of TL 68.8 million as at end-2018. In the reporting period, the company carried on with the sales of residential units in Ankara Çankaya Project, and finalized the rental agreements for commercial spaces. The company targets to complete the sales of the remaining residences within the scope of the said project in 2019. The company also continues to work on the architectural design of the lot in Göktürk that is included in its portfolio.

Banque de Commerce et de Placements

Established in 1963 in Switzerland and 31% of its capital held by Yapı Kredi, Banque de Commerce et de Placements (BCP) is active in structured commodity finance, wealth management, capital markets, treasury, and correspondent banking. For more than fifty years, the Bank has been offering tailored services to its commercial, private and institutional clients.

BCP enjoys a solid reputation as a top quality service provider in its fields of activity and serves an ever-growing number of customers and banks across the globe with a wide range of innovative and value-added products and services. Founded under Swiss Banking Law and Regulations, BCP is supervised by FINMA, the Swiss financial markets supervisory authority. Headquartered in Geneva, BCP also operates through its branches in Luxembourg and Dubai.

In 2018 that has been the scene to highly volatile commodity prices, BCP secured a healthy market share performance and booked a net profit of CHF 31 million. Together with the free banking provisions, the Bank's economic profit amounts to CHF 43 million. In the same period, BCP registered a RoE of 8%, a cost-to-income ratio of 45%, and a capital adequacy ratio of 14.5%. International commodity finance volume of BCP increased by 12% year-over-year and reached CHF 28 billion in 2018. This performance further increased BCP's recognition in the commodity finance market.

Having set its strategic goal as diversification in its main business lines, BCP intends to continue expanding its customer base while maintaining good asset quality backed by effective risk control as its top priority.

Allianz Yaşam ve Emeklilik

Allianz, one of the largest insurance companies and asset management groups in the world, serves 88 million customers with over 140 thousand employees in more than 70 countries.

As a company operating under Allianz Turkey, aiming to pioneer next-generation insurance with a focus on customer satisfaction and technology and to become a social brand improving the society's life standards, Allianz Yaşam ve Emeklilik operates in private pension and life insurance, offering individual and corporate customers a wide range of tailored products.

Allianz became the principal shareholder of Yapı Kredi Pension on 12 July 2013 by purchasing 80% of its shares. On 27 September 2013, the name of the company was changed to Allianz Yaşam ve Emeklilik.

Strategic Cooperation

Having remained a 20% shareholder in the company, Yapı Kredi works within the frame of a strategic cooperation with Allianz. The cooperation between the Bank and Allianz is governed by a 15-year exclusive bancassurance agreement. Accordingly, insurance and private pension products of Allianz are brought to customers through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

Yapı Kredi Cultural Activities, Arts and Publishing

Established in 1984 and wholly owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKSY) is one of the most deep-rooted culture and art companies in Turkey. YKKSY brings important publications, cultural events and exhibitions to the society, which make valuable contributions to social development and cultural life.

Yapı Kredi Culture and Art Exhibition Halls hosted a number of exhibitions in 2018: "Cities of Sabahattin Ali", "7 Sins" and "24 Hours of a Bureaucrat" by Cemal Erez, "Thresholds" by Mat Collishaw, "Post-Ottoman Cities on the Move –", " Appropriation? Case?" and "İlhan Berk is 100 Years Old – Poetry Everywhere". The exhibitions showcased in the Museum included "Chasing a Coin - Signs, Traces and Stories –", "Images of Power" and " Tombac : Golden Grace". Opened in 2018, these exhibitions received 142 thousand visitors.

During 2018, 242 events were organized in Loca, Yapı Kredi Culture and Art performance hall and in Oda located in YKY Beyoğlu Bookstore. The venues also held 47 external events, mainly those within the Scope of İstanbul Culture and Arts Festival. Altogether, nearly 18,000 visitors were hosted in these events.

Having published its 5,000th title since its establishment in 2018, Yapı Kredi Publications published 252 new titles and nearly 1.200 reprints, a total of around 5 million books. During the year, around 110 school and library events brought together an approximate 40 thousand students, teachers and librarians with authors and editors. YKY has planned to publish nearly 260 new titles in 2019.

Yapı Kredi Technology

Yapı Kredi Technology was founded in 2015 as a wholly-owned technology subsidiary of Yapı Kredi to offer innovative, creative and high value-added products and solutions in the finance sector. The company is located in İstanbul Technical University ARI Technopark.

The company's research and development activities mainly concentrate on two areas:

- Artificial intelligence (machine learning, natural language processing, data mining)
- Mobile software development (on iOS and Android platforms)

In 2018, Yapı Kredi Technology launched Yapı Kredi Corporate/Commercial Mobile Banking App on both iOS and Android platforms. Both individual and commercial banking functions were combined under a single Yapı Kredi Mobile Banking app roof, which allowed utilization of new capabilities added to the application by individual and commercial users alike, eliminating the need for separate developments.

On the artificial intelligence front, project SAFİR, which is an artificial intelligence-based app that classifies transaction orders from customers and eliminates manual data entry through automated extraction of transaction details from these orders developed with the support of TÜBİTAK's (The Scientific and Technological Research Council of Turkey) TEYDEB (Technology and Innovation Funding Directorate) program, was brought to completion successfully, and project SEDEF has been initiated, which is intended to increase the success rates obtained with this project employing deep-learning techniques. Project SEDEF also qualified to receive TÜBİTAK TEYDEB program funding and it will be rolled out gradually in 2019.

Chatbot, another artificial intelligence project for which R&D work has been in progress since 2016, has been completed, making Yapı Kredi the first bank in Turkey to realize WhatsApp integration on corporate level. The integration of the chatbot developed by Yapı Kredi Technology's R&D efforts into the Bank's system will be ongoing in 2019.

Commenced in 2017, project FOÇA, which is intended to process customers' financial statements employing natural language processing techniques and to secure saving from human labor through digitization of financial analysis, was deemed worthy of a grant under the TÜBİTAK TEYDEB program. The initial outputs from the project started coming out at the end of 2018.

In 2019, Yapı Kredi Technology will concentrate on creating even more value by sharing its know-how in relation to natural language processing, machine learning and deep-learning derived from R&D activities with the Group companies. Through its investments in R&D activities and technology, Yapı Kredi Technology aims to be the first company that comes to mind with respect to artificial intelligence and mobile banking technologies in the banking sector.

CUSTOMER EXPERIENCE RESEARCH

Aiming for ongoing improvement of customer experience and satisfaction

In keeping with its customer-oriented approach, Yapı Kredi closely watches customer satisfaction on all of its service delivery channels and in all segments. The satisfaction of customers who perform a transaction in branches, at the Customer Relations Center and Complaints Handling Center is measured on a daily basis, and the results are reported in a format that allows daily tracking and action by employees. During 2018, instant assessment of experience was secured from 65 out of every 1,000 customers.

Besides instant assessments, "overall customer satisfaction and image" survey is conducted in every segment and the outcomes are benchmarked against the banking industry. Following each critical decision and project having an impact on customer experience, their effect upon customer experience is separately measured, which is then assessed by senior management. There is a Customer Experience Committee that meets regularly in order to ensure effective monitoring of customer experience by the senior management. This platform serves to track a number of data collectively, including operational quality indicators, customer perception tracked via surveys, and customer complaints. The experience delivered to customers is addressed in a holistic manner and projects are designed to enhance this experience.

CORPORATE SOCIAL RESPONSIBILITY

Yapı Kredi Culture, Arts, Publishing

142

thousand art lovers

Having hosted more than 142 thousand art lovers in various events held in its venues, Yapı Kredi Culture and Art Center occupies a significant place in the world of culture and arts in Turkey.

Yapı Kredi successfully internalized the corporate citizenship concept.

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations.

While it develops its social responsibility projects in line with the needs and expectations of the society, the Bank encourages active engagement of its stakeholders and provides support to societal activities undertaken by its principal shareholders, Koç Holding and UniCredit.

Since its foundation in 1944, Yapı Kredi has been consolidating the investments made in education, culture & arts, environment and sports through innovative and sustainable social responsibility projects seeking lasting solutions to social problems, and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to expand the benefits of these projects to wider audiences.

Cultural and Arts Projects

Yapı Kredi Culture, Arts, Publishing – An entity catering to a significant need in the cultural and artistic life of Turkey

In 2018, Yapı Kredi Publications published 252 new titles and nearly 1200 reprints. During the year, around 110 school and library events brought together approximately 40 thousand students, teachers and librarians with authors and editors. Having hosted more than 142 thousand art lovers in various events held in its venues, Yapı Kredi Culture and Art Center occupies a significant place in the world of culture and arts in Turkey.

Yapı Kredi Afife Theater Awards – Turkey's most prestigious and longest-lasting arts award

Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater and individuals who have dedicated their lives to this art form, transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

Çatalhöyük Excavations – A long-lived archeological sponsorship

The Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for many years in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya at an altitude of 21 meters, Çatalhöyük hills house secrets from 9,000 years ago. Support to the excavations in Çatalhöyük, one of the most important and impressive archaeological sites in the world and named a UNESCO World Heritage Site, continued also in 2018.

Projects for Citizens with Disabilities

Enabled Banking – Turkey's first and most comprehensive Enabled Banking Program

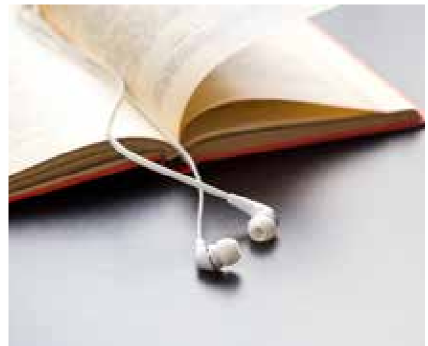
Initiated in 2008, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making Turkey's finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers.

Projects co-developed with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities) contribute value to the lives of disabled citizens. Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 413 books were transferred onto the digital media, converted into audio books and made available 24/7 to disabled citizens on the phone as of the end of 2018.

Under the project "Speaking is in our Hands", which was started in cooperation with the Federation of the Hearing Impaired, 300 volunteers from branches were provided with sign language training. Yapı Kredi makes life easier for its orthopedically and visually impaired customers via Enabled ATMs throughout Turkey. One of the projects initiated in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2018, a total of 5 disabled individuals were employed by Yapı Kredi.

No Barriers for My Country – Support to the Project Led by Koç Holding

Yapı Kredi sustained its support to the project ' No Barriers for My Country' led by Koç Holding. As of end-2018, 15,671 Yapı Kredi employees had completed ' No Barriers for My Country' distance learning program.



audio books

413

Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 413 books were transferred onto the digital media, converted into audio books and made available 24/7 to disabled citizens on the phone as of the end of 2018.

CDP Water Report

The Bank released its first CDP Water Report in 2018, in which it transparently disclosed its water consumption and its impact on water resources.

Sustainability and Yapı Kredi

Sustainability Structure

Yapı Kredi manages its activities coordinated by the Sustainability Committee within the framework of the Sustainability Management System it has established, and works to integrate sustainability principles into all of its fields of activity.

Sustainability Report

Yapı Kredi prepared its 2017 Sustainability report in accordance with the Global Reporting Initiative (GRI) Standards core option and publicly disclosed it in 2018.

BIST Sustainability Index

Yapı Kredi qualified to be one of the 50 companies included in Borsa İstanbul's BIST Sustainability Index. The Bank's inclusion in the list was a result of its successful performance in the areas of environmental, social and corporate governance as evaluated by the London-based Ethical Investment Research Service (EIRIS).

Carbon Disclosure Project

As a symbol of the importance Yapı Kredi places on climate change, the Bank participated in the Carbon Disclosure Project Climate Change Program also in 2018 with an expanded report coverage. In addition, the Bank released its first CDP Water Report in 2018, in which it transparently disclosed its water consumption and its impact on water resources.

Gender Equality for My Country

Yapı Kredi takes part in, and extends support to, the project "I support Gender Equality for My Country" which was initiated in June 2015 under the leadership of Koç Holding. The project aims to raise awareness of the reasons and consequences of gender inequality across all segments of the society. As part of the project, voluntary trainers provide awareness training to employees in Yapı Kredi Head Office and in branches. The number of employees who received the training reached 8,268 people by the end of 2018.

Educational Projects

I Read, I Play

In cooperation with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular educational activities. More than 6,100 volunteers at TEGV's activity points around the country are implementing the project. The project reached more than 255 thousand children by the end of 2018.

Science Migration to Anatolia

In 2018, Yapı Kredi began extending support to the social development project "Science Migration to Anatolia" devised by the Young Guru Academy (YGA) with the aim of popularizing science among children. The project, which also includes Yapı Kredi Volunteers, targets to reach 5 thousand children in 50 provinces within three years.

Environmental Projects

Recycling Project

Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2018, more than 1 million kilograms of paper, 2 thousand kilograms of plastic, more than 3 thousand kilograms of glass and over 28 thousand kilograms of metal were collected for recycling. Furthermore, Yapı Kredi prevented the release of more than 180,401 tons of carbon dioxide to the atmosphere, saved over 17,049 trees, 28,081 cubic meters of water, 4,291,668 kWh of energy and 13,303 liters of crude oil. With these wastes recycled, 2,643 cubic meters of stowage area in landfills were saved.

ISO 14064

Yapı Kredi carries on with the ISO 14064 Greenhouse Gas Emissions Reporting certification process initiated in 2011 on an annual basis. The certification process for 2017 was completed in 2018.

ISO 14001

In 2018, Yapı Kredi successfully passed the surveillance audit for maintaining the validity of the ISO 14001 Environmental Management System Certification for the Head Office buildings, Yapı Kredi Plaza D-Block and Banking Base. This year, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Cultural Activities, Arts and Publishing, Yapı Kredi Asset Management and Yapı Kredi Invest also received the same certification, thereby consolidating the combined strength with respect to environmental norms.

Relations with the Academic Community

Anatolian Scholars

With 10 scholars supported in 2018, Yapı Kredi sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011.

Yapı Kredi Vocational and Technical Anatolian High School

One of Yapı Kredi's important projects in the area of education is the Yapı Kredi Bank Vocational and Technical Anatolian High School located in Kocaeli – Çayırova that was launched in the 2008-2009 academic year. Its first graduates received diplomas in 2012 and today, more than 500 students study there in the Child Development and Education, Graphics and Photography, Information Technologies, Catering and Office Management divisions. Furthermore, in 2018, 20 students benefited from scholarships that had been instigated in 2012.

8,268

Yapı Kredi takes part in, and extends support to, the project "I support Gender Equality for My Country" which was initiated in June 2015 under the leadership of Koç Holding. The number of employees who received the training reached 8,268 people by the end of 2018.

FROM EARTH TO ETERNITY: ÇATALHÖYÜK

catalhoyuk.com

The neolithic proto-city of Çatalhöyük was registered in the UNESCO World Heritage List in July 2012 by the UNESCO World Heritage Committee.

Excavations in Çatalhöyük are one of the most important projects we have been supporting for many years in the area of culture and arts. Located at a height of 21 meters 10 km southeast to Çumra, Konya, the Çatalhöyük Hill have secrets of 9 thousand years. Having been home to 3 to 8 thousand people for 1,400 years between BC 7400 and BC 6000, Çatalhöyük is a center that sheds light on the history of humanity with the very first house architecture, as well as authentic findings of first sacred structures.

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In 2013, Stanford University took over the excavations, and currently they are led by Ian Hodder, a British archeologist. Çatalhöyük, one of the most important and impressive archeological sites in the world, hosts every year in August-Septemberan excavation team coming from various countries such as the USA, Germany, Australia, France England, Italy, Canada, Poland and Serbia. These teams discover new findings in each season. Around 200 people work in these excavations, including teams from universities in Turkey.

The Neolithic proto-city of Çatalhöyük was registered in the UNESCO World Heritage List in July 2012 by the UNESCO World Heritage Committee.

Some of the finds are exhibited in Konya Archeology Museum, others are kept under protection.

With the aim of reaching more people regarding the excavation works and findings, in 2018, we became sponsor to the exhibition called "An Excavation Story: Çatalhöyük", organized by the Research Center for Anatolian Civilizations of Koç University. Showing the scientific studies in Çatalhöyük with interactive exhibition methods such as simulating the findings with three dimensional modelling, laser scanning of excavation sites and VR (virtual reality), this exhibition met archeology lovers at Brunei Gallery in London from September to December 2018.

PART 2

BANK MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

BOARD OF DIRECTORS

Ali Y. KOÇ
Chairman of the Board of Directors

Ali Y. Koç graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. Between 1990-1991, he attended the American Express Bank Management Trainee program. Between 1992 and 1994, he worked as an Analyst at Morgan Stanley Investment Bank. Between 1997-2006, Koç held various senior level positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group. Between 2006-2010, he was the President of the Corporate Communications and Information Technology Group. Koç has been a Board Member of Koç Holding since January 2008 and was named Vice Chairman in February 2016. He is also the Chairman of various Koç Group companies. Additionally, Koç contributes to the country's social and economic development by serving as President at Fenerbahçe Sports Club, President at URAK (International Competition Research Association) and as a Board Member at Endeavor Association and DEİK (Foreign Economic Relations Board). He is also the Vice Chairman of TÜSİAD (Turkish Industry and Business Association) and a Member of the Global Advisory Council of Bank of America, Harvard University and CFR. Koç has been Board Chairman of Yapı Kredi and Koç Financial Services since April 2016.

Carlo VIVALDI
Vice Chairman of the Board of Directors

Carlo Vivaldi graduated from University of Ca'Foscari (Venice, Italy) Department of Business Administration. He started his career in 1991 as Teller in Cassamarca, which merged into UniCredit in 1998. From 1993, he continued his career in various Planning and Control teams. In 2000, Vivaldi became responsible for Planning and Control for the New Europe Division (today's Central and Eastern Europe - CEE). In 2003, he became the Chief Financial Officer (CFO) of Koçbank/Koç Financial Services. In 2007, he became a Member of the Management Board and CFO of UniCredit Bank Austria (covering Austria and the CEE countries of UniCredit). He also became a Member to several Supervisory Boards in CEE subsidiaries. In 2011, Vivaldi was appointed as the Executive Director and Deputy CEO of Yapı Kredi. In 2015, he was appointed as the Head of CEE Division of UniCredit. In addition to being the Board Vice Chairman of Yapı Kredi and Koç Financial Services since February 2015, Vivaldi is also Supervisory Board Member in UniCredit Russia and UniCredit Foundation, a Board Member in UniCredit Services IT (former UBIS/UniCredit Business Integrated Solutions) and a Member in UniCredit Executive Management Committee.

Gökhan ERÜN
Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from İstanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999 and 2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Niccolò UBERTALLI
Executive Director and Deputy CEO

Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011-2012, as the Head of Group Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012-2015, he was a Member of Management Board for UniCredit Tiriac as well as Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. As of February 2015, Ubertalli has continued his career in Yapı Kredi as Executive Director in Board of Directors and Deputy Chief Executive Officer (CEO). In addition, Ubertalli is the Deputy CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

F. Füsun AKKAL BOZOK
Member of the Board of Directors

F. Füsun Akkal Bozok has a MBA degree from Boğaziçi University in Faculty of Administrative Sciences and a Ph.D. from İstanbul University in Faculty of Administration. She began her career at Arthur Andersen Audit Company in 1980. Bozok joined Koç Group in 1983 as an Associate and Coordinator Assistant in the Audit and Financial Group Division. In 1992, she was appointed as the Audit and Financial Group Coordinator, a position which she held for 11 years. Between 2003-2006, she worked as the Finance Group Director. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Bozok is also an Assistant Professor at Sabancı University and an Independent Board Member at Akiş GYO, Bizim Toptan, Ford Otosan, Tat and İzocam.

Ahmet F. ASHABOĞLU
Member of the Board of Directors

Ahmet F. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master's of Science degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT. Between 1996-1999, Ashaboğlu held various positions in capital markets within UBS Warburg, New York. Between 1999-2003, he worked as a Consultant at McKinsey & Company, New York. In 2003, Ashaboğlu joined Koç Holding as Finance Group Coordinator. Since 2006, he has been serving as the CFO of Koç Holding. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Ashaboğlu is also a Board Member at Yapı Kredi Koray Real Estate Investment Trust and various Koç Group Companies.

Levent ÇAKIROĞLU
Member of the Board of Directors

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his professional life in Ministry of Finance in 1988. 1997-1998, he taught as part time instructor at Bilkent University and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002-2007, the CEO of Migros between 2007-2008, the CEO of Arçelik between 2008-2015 and the President of the Durable Goods Group of Koç Holding A.Ş. between 2010-2015. Çakıroğlu was appointed as the Deputy CEO of Koç Holding in February 2015 and he took over the CEO post on April 2015. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since April 2015, Çakıroğlu is also a Board Member in various Koç Group Companies.

BOARD OF DIRECTORS

Mirko D. G. BIANCHI
Member of the Board of Directors

Mirko D. G. Bianchi holds a Masters degree in Chemical Process Engineering Science from Swiss Federal Institute of Technology. In 1991, Bianchi received his MBA degree in Marketing & Finance from Fordham University (New York). Bianchi started his career at BCI Capital (New York) as an Equity Analyst. Between 1993-1998, he worked as Senior Analyst (Vice President) at Moody's Investors Service. In 1998, Bianchi joined Deutsche Bank Securities as a Director at the Global Debt Capital Markets Department. Between 2000-2009, he worked at UBS Investment Bank (London) as Managing Director and Global Head of Ratings Advisory. In October 2009, Bianchi joined UniCredit as Head of Group Finance in the CFO department and Co-Head of the Group Treasury. Between June 2015-September 2016, he was appointed as CFO for Austria & CEE of UniCredit Bank Austria and served as Member of the Management Board. In September 2016, Bianchi was appointed as the CFO of UniCredit. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since July 2015, Bianchi is also a Board Member at some UniCredit Group Companies.

Giovanna VILLA
Member of the Board of Directors (Independent)

Giovanna Villa earned her Bachelor's degree in Financial Administration from Bocconi in 1991 and obtained a Certified Public Accountant (CPA) certificate in 2000. Between 1991-1995, Villa worked as a Senior Auditor at Pricewaterhouse Coopers. Between 1995-1997, she was an Assistant in the administration department at Santavaleria (an Italian listed company). In 1997, Villa provided accounting consultancy to SME companies. Between 2009-2011, she worked as an Assistant to the Internal Auditor at Aler Azienda Lombarda Edilizia Residenziale. Since 2000, Villa has been a Member of the Audit Committee for several companies such as Lenovo Italy, Ritrama Group, Sias Monza Circuit, Lux Vide and Malvestiti. In 2019, she was appointed as Statutory Auditor in Intek Group and TitanMet, Italian listed companies. Villa has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Francesco GIORDANO
Member of the Board of Directors[1]

He has a degree in Economics from University of Genova (Italy) and a master degree in Economics from University of Warwick (UK). He started his career as an Economist at MMS/Standard & Poors in London. He then moved, remaining in London, firstly to the Istituto Bancario San Paolo and then to Credit Suisse First Boston as Senior Economist. He joined the UniCredit Group in 2000 as Head of Research, thereafter covering a number of positions including Head of Planning, Research and Strategy and CFO and Head of Marketing and Strategy for the Corporate and Investment Banking Division. From 2011 to 2015 he worked as CFO of Bank Austria, with responsibility also for the CEE. During this period he also Served as a Board Member at Yapı Kredi Bank and Koç Finansal Hizmetler. In 2015 he has been appointed as CFO Finance and Member of the Management Board of UniCredit Bank AG in Germany. As of September 2016, he was appointed as Co-Chief Operating Officer, with a specific responsibility for cost management, purchasing, real estate and all finance functions. Giordano has been a Board Member of Yapı Kredi and Koç Financial Services since March 2018.

Gianfranco BISAGNI
Member of the Board of Directors

Gianfranco Bisagni holds a degree in Business Administration from Royal Melbourne Institute of Technology. He started his career in the Italian UniCredit network and shortly thereafter, moved to the United States. His first appointment was in the Chicago office. He was than relocated to New York, where he took over as Deputy Chief Manager for the UniCredit New York branch, responsible for all the representative offices in North and South America. In 2001, he was named Chief Manager of UniCredit´s Hong Kong branch and in 2008, Head of Corporate Banking Asia Pacific & Chief Manager Hong Kong branch. In 2010, he started to serve as Head of Corporate and Investment Banking & Private Banking at UniCredit Tiriac Bank Romania, where he was also appointed a Member of the Management Board. Between 2011 and 2015, he acted as Head of Central and Eastern Europe (CEE) Corporate and Investment Banking and as Deputy Head of CEE

Division of UniCredit. In April 2015, he was appointed as the Deputy and in September 2016, as the Co-Head of Corporate and Investment Banking. Bisagni has been Board Member of Yapı Kredi and Koç Financial Services since October 2016.

Adil G. ÖZTOPRAK
Member of the Board of Directors (Independent)

Adil G. Öztoprak graduated from Ankara University - Faculty of Political Science, Finance and Economics Department. Between 1966-1975, Öztoprak served at the Ministry of Finance as an Auditor. In 1975, he was appointed as the Assistant General Manager of Budget and Fiscal Control Department. After 1976, he served as a Financial Coordinator and Chief Executive Officer at many companies. Between 1993-2000, Öztoprak was a Partner at Başaran Nas Yeminli Mali Müşavirlik (PricewaterhouseCoopers). Öztoprak, a Certified Public Accountant since 2000, served as a Statutory Auditor at Yapı Kredi, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Between March 2014-July 2016, Öztoprak was a Board Member at Goodyear Lastikleri T.A.Ş., between March 2012-March 2018, an Independent Board Member at Yapı Kredi Koray Real Estate Investment Trust. Öztoprak has been a Board Member at Yapı Kredi and Koç Financial Services since April 2013.

Wolfgang SCHILK
Member of the Board of Directors (Independent[2])

Wolfgang Schilk graduated from University of Wien Law School in 1992 and completed his postgraduate management trainee program at Creditanstalt- Bankverein (CA-BV). Between 1994-1996, he worked at CA-BV as the Restructuring and Workout Manager responsible for Corporate Banking. Between 1996-2004, Schilk worked as the Head of Credit Unit at Bank Austria Creditanstalt. In 2004, he became the Head of Regional Office responsible for Corporate Banking. In 2006, he worked as the Head of Regional Office responsible for Private and SME segments. Between 2007-2010, he was the Head of Risk Management responsible for Private and SME segments in Bank Austria. Between 2010-2016, Schilk served as the CRO of Yapı Kredi. In September 2016, he was appointed as UniCredit Chief Risk Officer (CRO) for Central and Eastern Europe (CEE) region. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since October 2016, Schilk is also Supervisory Board Member at UniCredit Bank Czech Republic & Slovakia and Zagrebacka Banka.

A. Ümit TAFTALI
Member of the Board of Directors

A. Ümit Taftalı earned his B.S. in Finance from Ball State University (Indiana) and his MBA degree from University of South Carolina. He also participated in senior executive programs at Harvard University. Taftalı is an investment banker and wealth manager with over 30 years of international experience. He has worked in executive positions in Atlanta, New York and London for Merrill Lynch & Company, Bankers Trust Company and Goldman Sachs International. Taftalı has been representing and advising Mrs. Suna (Koç) Kıraç since 2001 and is a Member of Koç Holding Executive Committee. He is also Board Chairman of Kare Portföy. Taftalı is or has been Board/Founding Member of various philanthropic and professional organizations such as Suna-İnan Kıraç Foundation, Educational Volunteers Foundation of Turkey (TESEV), Turkish Industrialists and Businessmen Association (TÜSİAD), Saint Joseph Educational Foundation, Educational Volunteers Foundation of Turkey (TEGV), Galatasaray Sport Club, American Finance Association (USA), Financial Management Association (USA), Museum of American Financial History (USA), Ball State University Foundation (USA), Turkish Bankers Association (UK), University of South Carolina Foundation (USA). Taftalı has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

(1) Based on Bank's General Assembly Meeting dated 20 March 2018, Francesco Giordano was elected as Members of the Board of to replace Giuseppe Scognamiglio.

(2) Based on Capital Markets Board's Item 6(3)a of the Communique Serial II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee is deemed as Independent Board Member.

Notes:

The members of the Board of Directors each have a one-year term of duty. Appointments of members are set out annually at the Annual Shareholders' Meeting.

Ali Y. Koç, Ahmet F. Ashaboğlu, Levent Çakıroğlu and A. Ümit Taftalı, who are members of the Board of Directors, are also members of Board of Directors at other Koç Group companies due to their positions in Koç Holding.

Carlo Vivaldi, Mirko D. G. Bianchi, Francesco Giordano, Gianfranco Bisagni and Wolfgang Schilk, who are members of the Board of Directors, are also members in other UniCredit companies due to their positions in UniCredit Group.

SENIOR MANAGEMENT


YapıKredi
Gökhan ERÜN
Giovanni AVANZİ
Albert ANGERSBACH
Yakup DOĞAN
Hakan ALP
Erhan ADALI
Nurgün EYÜBOĞLU
Saruhan YÜCEL

SENIOR MANAGEMENT

Gökhan ERÜN
Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from İstanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999 and 2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Niccolò UBERTALLI
Executive Director and Deputy CEO

Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011-2012, as the Head of Group Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012-2015, he was a Member of Management Board for UniCredit Tiriac as well as Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. As of February 2015, Ubertalli has continued his career in Yapı Kredi as Executive Director in Board of Directors and Deputy Chief Executive Officer (CEO). In addition, Ubertalli is the Deputy CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Albert ANGERSBACH[1]
Assistant General Manager - Risk Management

Mr. Albert Angersbach, graduated from University of Applied Sciences Frankfurt am Main in 2006. He holds a diploma in International Finance and Law. He began his professional career in 2006 as a Corporate and Industry Analyst at UniCredit Bank Austria. In 2007, he joined Deutsche Bank as a Corporate Credit Risk Manager, Assistant Vice President. From 2010 until 2011, Mr. Angersbach worked as Head of Credit Underwriting Vice President, and until 2013 as Chief Risk Officer at UniCredit ATF Bank. In 2013, he assumed responsibility as the Head of Corporate Credit at UniCredit Ukraine. From 2016 until 2018 he worked as the Chief Risk Officer in Zagrebacka banka, UniCredit. Mr. Angersbach has been working as CRO and as a member of the Executive Committee at Yapı Kredi since August 2018. Mr. Angersbach is also a member of the Board of Directors of certain domestic and foreign subsidiaries of Yapı Kredi.

Massimo FRANCESE
Assistant General Manager - Financial Planning and Administration (CFO)

Mr. Francese, 53, graduated from the Department of Economics at "Università Cattolica del Sacro Cuore" in Milan (Italy) in 1990. He joined "Credito Italiano" bank in 1991 as Customer Relationship Manager, then he experienced different positions in Organisation, Planning and Control functions. In 2005, he became

Head of Group Planning at UniCredit. He continued his career at UniCredit Family Financing Bank S.p.A between 2007 and 2010 as Chief Financial Officer. In November 2010, he moved to UniCredit S.p.a. as Head of Value Management & Planning for Consumer Finance business until 2012. In 2012, Mr. Francese assumed the position of CEO and Chairman of the Management Board in UniCredit Consumer Financing EAD in Sofia (Bulgaria) where he worked until the February 2016.He has been appointed as Chief Financial Officer and Member of the Executive Committee at Yapı Kredi Bank A.Ş. as of March 1st, 2016.

Erhan ADALI[(2)]
Assistant General Manager - Corporate and Commercial Banking

After graduating from the Faculty of Political Sciences, Public Administration at İstanbul University in 1987, Erhan Adalı began his professional career at Garanti Bankasi as an Internal Auditor. After serving in various positions, Adalı worked as the Corporate Branch Manager, Commercial Banking Regional Manager and Coordinator in SME Banking Marketing between 1997 and 2005. Adalı worked as the CEO of Garanti Pension and Life Company from 2005 to 2012 and continued to serve as Executive Vice President of Credits at Garanti Bank until 2015. He served as a member of Board of Garanti Leasing and Garanti Mortgage in 2015-2017. Adalı has been Assistant General Manager in charge of Corporate and Commercial Banking and a Member of the Executive Committee since March 2018. Adalı is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.

Serkan ÜLGEN[(3)]
Assistant General Manager - Retail Banking

Serkan Ülgen received his B.S. degree in Industrial Engineering from Bilkent University, Ankara in 1998. Following his graduation, he started his professional career at BENKAR Consumer Financing and Credit Card Services within Boyner Group. In 2001, he joined Yapı Kredi Bank of Turkey and since then, held different positions in Retail Banking and Card Payment Systems at Yapı Kredi. He got his MBA degree from Boğaziçi University, İstanbul in 2005. Ülgen has been working as the Assistant General Manager in charge of Retail Banking and a member of the Executive Committee of Yapı Kredi Bank of Turkey since January 2018. He is also a Board Member of Yapı Kredi Bank Azerbaijan. Since 2010, he has been a Board Member of Interbank Card Center (BKM) and became the Chairman of the Board of BKM in 2016. Ülgen also serves as the Chairman of Turkish Client Council of VISA and a Board Member of Tanı Marketing and Communications Services, a data company within Koç Group.

Arif İSFENDIYAROĞLU[(4)]
Assistant General Manager – Retail Banking Sales

After graduating from İstanbul Technical University's Textile Engineering Department in 1990, Arif İsfendiyaroğlu received his MBA from İstanbul Bilgi University and Manchester Business School in 2000. He started his professional career in the Securities and Treasury Department of Garanti Bank in 1990, where he served as Senior Vice President of Retail Banking, Business Banking and CRM from 1996 until 2004. In tandem with his post as the Executive Vice President of Business Banking and Retail Banking between 2004 and 2009, he held a member's seat on the boards of directors of Deniz Portfolio Management, Denizbank Moscow and Deniz Life. He worked as the Executive Vice President of Garanti Payment Systems from 2009 until 2015. In 2015, he joined Akbank, where he was the Executive Vice President of Retail Banking, Payment Systems and Corporate Communications, and also a member of the Board of Directors of Ak Investment. Mr. İsfendiyaroğlu has been appointed as Assistant General Manager responsible for Retail Banking Sales Management at Yapı Kredi effective December 2018.

Hakan ALP[(5)]
Assistant General Manager - Human Resources and Organization

After graduating from Ankara University, Faculty of Political Sciences, Department of International Relations, Hakan Alp started his professional career in 1991 at Garanti Bank's Audit Department and then served as Training Manager at the same bank between 1997 and 1999. Alp has worked for Humanitas Doğuş Human Resources Management as Assistant General Manager in charge of Training, Executive Development, Finance and Administration, Operation between 2000 and 2003. Alp served as Assistant General Manager of Human Resources Management at Tansaş Retail Chain between 2003 - 2005, and then he became Assistant General Manager of Human Resources Management at Sütaş in 2006. Alp started to work as Human Resources Executive Vice President at QNB Finansbank in 2007 and assigned as Assistant General Manager of Human Resources in 2010

SENIOR MANAGEMENT

and worked there until 2018. As of September 2018, Alp works at Yapı Kredi as Assistant General Manager of Human Resources and Organization.

Cahit ERDOĞAN
Assistant General Manager - Information Technologies and Operations Management

After graduating from İstanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan earned his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan joined Accenture Turkey office as a Management Consultant and was later promoted to Manager and Senior Manager. In February 2008, he was appointed as Turkey Country Lead for the Management Consulting practice of Accenture. Erdoğan joined Yapı Kredi in 2009 as Chief Information Officer (CIO). As of July 2013 he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank. Mr. Erdoğan is a member of the Executive Committee of Yapı Kredi since July 2013 and also the Chairman of the Board of Directors of Yapı Kredi Teknoloji A.Ş. since May 2015.

Saruhan YÜCEL[6]
Assistant General Manager – Treasury and Financial Institutions

Saruhan Yücel earned his undergraduate degree from İstanbul University Department of Business Administration and his graduate degree from University of Illinois in Business Administration. Yücel started his career at Koçbank in fund Management Department in 2000. Following his role as Securities Portfolio Manager, between 2002 and 2003, in Yapı Kredi Portfolio in Investment Funds Management Fixed Income department, between 2003 and 2018, he worked as FX and Money Markets Senior Dealer, FX Markets Vice President, Fixed Income Securities Vice President and Balance Sheet Management and Fixed Income Securities Executive Vice President in Yapı Kredi Bank. Following June 2018, he continued his career as Treasury Management Assistant General Manager. He is also Member of the Executive Committee at Yapı Kredi Bank.

Yakup DOĞAN
Assistant General Manager - Alternative Delivery Channels

After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Manager. With the merger of Yapı Kredi and Koçbank in 2006, Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.

Nurgün EYÜBOĞLU
Assistant General Manager - Corporate and Commercial Credits

After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. Eyüboğlu is also a member of the Board of Directors of Yapı Kredi Faktoring and Yapı Kredi Leasing.

Mehmet Erkan ÖZDEMİR
Assistant General Manager - Compliance and Internal Control

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2002 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. He started serving as Statutory Auditor at Koçbank in August 2002 and later at Yapı Kredi in September 2005. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013.

Giovanni AVANZİ
Assistant General Manager - Internal Audit

After graduating from Cattolica Sacro Cuore University, Management and Business Administration, Giovanni Avanzi began his career at Arthur Andersen in 1995, where he acted as an external auditor and then as a consultant for the main Italian banks. In 2003, he joined the Internal Audit Department of UniCredit, responsible for auditing the UniCredit SpA and its subsidiaries with focus on the Market, Liquidity and Conduct risks. In 2006 Avanzi started up the Audit monitoring and reporting function, till 2009 when he became Head of Group Audit Methodologies responsible for re-eingeenering the audit processes and tools. In January 2014, he was appointed as Executive Director and Head of the Internal Audit at Bank Pekao in Poland. In 2017, he took on the responsibility of Assistant General Manager for Internal Audit at Yapı Kredi. Avanzi owns the CIA, CRMA and QA certificates.

Cemal Aybars SANAL
Assistant General Manager – Legal Affairs

After graduating from İstanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.

Demir KARAASLAN
Assistant General Manager - Retail Credits

Mr Karaaslan graduated from Marmara University, Business Administration department in 1999. Between September 1999 and December 2004, he worked at PricewaterhouseCoopers (PwC) where he joined as an Assistant Auditor and promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. In 2006, following the merger of Koçbank and Yapı Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and promoted as Executive Vice President in 2011. Starting from January 2016, he was appointed as Assistant General Manager in charge of Retail Credits. Throughout his career, Mr Karaaslan also assumed the positions of Statutory Auditor and member of Board in several subsidiaries of Yapı Kredi Bank. Karaaslan is also a board member of Credit Bureau and a member of The Banks Association of Turkey Risk Center.

(1) Based on Board Resolution dated 31 May 2018, Albert Angersbach was appointed as Assistant General Manager responsible for Risk Management (CRO) (replacing Patrick Schmitt who resigned from his position as of 1 August 2018)

(2) Based on Board Resolution dated 16 February 2018, Erhan Adalı was appointed as Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position as of 16 February 2018)

(3) Zeynep Nazan Somer Özelgin, who served as Assistant General Manager of Retail Banking, resigned as of 1 January, 2018. Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking.

(4) Based on Board Resolution dated 28 November 2018, Arif Ö. İsfendiyaroğlu was appointed as Assistant General Manager responsible for Retail Banking Sales (replacing Mert Yazıcıoğlu who resigned from his position as of 30 November 2018)

(5) Based on Board Resolution dated 13 August 2018, Hakan Alp was appointed as Assistant General Manager responsible for Human Resources and Organization (replacing Mehmet Gökmen Uçar who resigned from his position as of 30 June 2018)

(6) Based on Board Resolution dated 31 May 2018, Saruhan Yücel was appointed as Assistant General Manager responsible for Treasury (replacing Mert Öncü who resigned from his position as of 30 March 2018)

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda, as authorised by the Articles of Association of the Bank, laws and regulations. In 2018, the Board of Directors convened 11 times with the required majority and quorum satisfied.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the members. In 2018, the Executive Committee convened 42 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Albert Angersbach(1)	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Erhan Adalı(2)	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen(3)	Assistant General Manager - Retail Banking
Member	Arif Ö. İsfendiyaroğlu(4)	Assistant General Manager - Retail Banking Sales
Member	Hakan Alp(5)	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Saruhan Yücel(6)	Assistant General Manager - Treasury

(1) Based on Board Resolution dated 31 May 2018, Albert Angersbach was appointed as Assistant General Manager responsible for Risk Management (CRO) (replacing Patrick Schmitt who resigned from his position as of 1 August 2018)

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Credit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2018, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

Credit Committee Principal Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy
Member	F. Füsun Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors

Credit Committee Alternate Members		
Alternate Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Alternate Member	A. Ümit Taftalı	Member of the Board of Directors

BOARD OF DIRECTORS AND COMMITTEES

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2018, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members		
Chairman	Wolfgang Schilk	Member of the Board of Directors
Member	Giovanna Villa	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. Conducting studies in the scope of evaluating and determining of the independent candidates suitable for Board of Directors, presenting the nominated candidates to the Board of Directors for approval. In 2018, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Adil G. Öztoprak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2018, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

For Yapı Kredi, one of the longest standing and strongest institutions in the banking sector, 2018 was a successful year despite the challenging market conditions. Improving its position as Turkey's third largest private bank in terms total assets, Yapı Kredi maintained its customer-centered, pioneering and innovation-oriented banking perspective in 2018.

Yapı Kredi increased its total revenues by 45% with a strong income generation performance in 2018,. the increase in total costs adjusted for pension fund provisions was at 13% below the annual inflation, thanks to controlled cost management. As a result, the cost-to-income ratio improved by 10 percentage points and materialized as 34.2%. The Bank's gross operating profit raise 73%, and registered at TL 12.4 billion. Despite the increased level of loan provisions with the prudent approach to asset quality, net income was up by 29% to TL 4.7 billion, and return on tangible equity ratio improved by 58 bps.

Within the scope of the capital strengthening plan announced in May 2018, the Bank finalised TL 4.1 billion worth of capital increase through rights issue in June, and with the ongoing support from the internal capital generation the Bank's consolidated capital adequacy ratio increased by 144 bps to 14.8% in 2018. In addition, the Bank carried out an additional Tier-1 issuance of USD 650 million in January 2019 participated by its main shareholders and international investors, bringing the capital adequacy ratio to 15.7%.

Leading the digital transformation of banking, Yapı Kredi continued to make life easier for its customers with its new products and services in 2018. The Bank redesigned the experiences of initial account opening and initiation of customer relationship with the Bank for digital channels with an eye on the evolving customer demands. The new service model introduced in this context allows users to become Yapı Kredi customers by video chatting with Visual Transaction Assistants through Yapı Kredi Mobile application, eliminating the need to make a trip to a physical branch. During 2018, the number of digital banking active customers grew by 26% while mobile banking active customers increased by 31%.

In 2018, sustainability remained as a key topic on Yapı Kredi's agenda. Borsa İstanbul (BIST) and the London-based Ethical Investment Research Service (EIRIS) named Yapı Kredi as one of the companies to take place in the BIST Sustainability Index for five consecutive years. Hence, Yapı Kredi succeeded in taking place among the 50 companies that qualified to be included in the index. This result was the outcome of the Bank's successful performance in environmental, social and corporate governance areas.

Yapı Kredi's The corporate governance rating improved to 9.58 from 9.43 on a scale of 10 that was assigned to Yapı Kredi in 2017 in line with the principles set by the Capital Markets Board of Turkey was raised to 9.58, confirming the great emphasis of the Bank places on corporate governance.

Dear Shareholders,

As we submit our 2018 report and financial statements for your review and approval, on behalf of the Board of Directors and myself, I would like to thank you, our esteemed shareholders, for your faith in Yapı Kredi.

On behalf of the Board of Directors,

Chairman
Ali Y. Koç

SUPPORT SERVICES

- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provides printing services for around 91 million credit cards and customer account statements per year.
- Physical security services were being provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. (EKOL) with a total of 944 security guards as of 31 December 2018.
- A total of 831 armed security guards are assigned to the branches, 98 to the Head Office and Regional buildings, and 15 to Bayramoğlu, Yeniköy Koru and Darıca buildings.
- Monitoring of the theft alarm system, control/maintenance services for all technical and electronic security systems including card entry system, CCTV and theft alarm system are provided by Tepe Güvenlik A.Ş. Fire detection and extinguishing systems are controlled and maintained by Protek Mühendislik Ltd. Şti. Card monitoring and controlling are provided by Elektromaks Elektronik Güvenlik Sistemleri San.Tic. Ltd. Şti.
- Support services for cash transportation, on-site and off-site ATM first-line maintenance services are provided by Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri (Bantaş), Loomis Güvenlik Hizmetleri (Loomis),and Desmer Güvenlik Hizmetleri Ticaret (Desmer).
- These firms provide Yapı Kredi Bank with the following:
    - Bantaş - 31 Cash Centers, 1,049 personnel and 296 armored vehicles
    - Loomis - 15 Cash Centers, 255 personnel and 80 armored vehicles
    - Desmer - 2 Cash Centers, 15 personnel and 5 armored vehicles
- Diebold Nixdorf Teknoloji A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for on-site and off-site ATMs.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communique on Corporate Governance numbered II-17.1 which is currently in effect have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the regulations of the CMB on the Corporate Governance Principles and with the communiques issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2018. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communique on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communique. The communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2018, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, following main principles which have not been compiled and not mandatory in accordance to communique have been specified below detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

- In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 14% in 2018.
- In relation to principle numbered 4.4.5, although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.

- In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.
- In relation to principle numbered 4.6.1, no specific study has been carried out for performance assesment at the board level.
- In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.58 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 28, 2018. The ratings in terms of main sections were set as 9.58 for Shareholders, 9.52 for Public Disclosure and Transparency, 9.92 for Stakeholders and 9.46 for the Board of Directors.

In accordance with the CMB resolution dated 10.01.2019 and numbered 2/49, the 2018 Corporate Governance Compliance Report and Corporate Governance Information Form which will be prepared in accordance with the new reporting formats of our Bank will be also publicly disclosed to the KAP during the period determined by CMB.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations Unit are carried out in the following manner by the Banking and CMB Legislation Unit under Assistant General Manager for Compliance and Internal Control, and the Investor Relations Unit under Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held around 300 meetings for investors, around 15 meetings for analysts and approximately 100 teleconferences, in addition to attending 13 conferences and 7 roadshows in order to meet existing and potential investors and ensure that shareholders are better updated on recent developments. Quarterly financial results were presented and shared 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

The 2018 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on February 22, 2019 and was submitted to the Board of Directors of the Bank on the same date.

Functions of Banking and CMB Legislation Unit are:

- To ensure that the correspondence on shares between the Shareholders and the partners and the information and documents that need to be kept in relation to shares within the scope of legislation are kept in a sound, safe and updated manner,
- To prepare the documents that need to be submitted to the shareholders for information and review in relation to the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with the relevant legislation, the Articles of Association and other regulations within the shareholding structure,
- To oversee and monitor the fulfilment of liabilities arising from the Capital Market legislation including all matters in relation to Corporate Governance and Public Disclosure.

Functions of the Investor Relations Unit are:

- To manage relations among national/international corporate investors/shareholders, banking analysts of intermediary agencies and partners, to inform them regularly and proactively, to answer their oral and written questions,
- To manage relations with the international credit rating agencies, to answer their oral and written requests for information,
- To manage all printed and web-based processes in relation to the issuance of the Bank's annual and interim reports and to coordinate the compilation of the contents in accordance with the legislation,
- To include the matters set forth in the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep information updated.

Banking and CMB Legislation Unit	
Head of the Unit	Erdinç Tetik
Title	Banking and CMB Legislation Director
Licences	Capital Market Activities Level 3 License, Corporate Governance Rating License and Derivative Instrument License
Telephone	0 212 339 64 31
E-mail:	erdinc.tetik@yapikredi.com.tr
Employees of the Unit	Hasan Sadi* - Ercan Yılmaz

*Holds Capital Market Activities Level 3 License and Corporate Governance Rating License

Investor Relations Unit	
Head of the Unit	Kürşad Keteci
Title	Strategic Planning and Investor Relations, EVP
Telephone	0 212 339 86 09
E-mail:	kursad.keteci@yapikredi.com.tr
Employees of the Unit	Hilal Varol* - Ece Oktar Gürbüz** - Can Aslankan*- Cansu Görcük

* Holds Capital Market Activities Level 3 License

** Holds Capital Market Activities Level 3 License, Corporate Governance Rating License and Credit Rating License

2.2. Exercise of Shareholders Right to Obtain Information

No discrimination is made among shareholders in terms of the use of the right to obtain and review information and all information except for trade secrets are shared with the shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing upon establishing contact with the most senior individual related to the matter, except for information that are deemed to be confidential and trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact on the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

Although the right to request a private auditor is not regulated in the Articles of Association as an individual right, each and every shareholder can place a request at the Annual Shareholders' Meeting, as per article 438 of the Turkish Commercial Code and even if such request is not included on the agenda, that specific cases are clarified through private audit whenever this is required in order to be able to exercise the shareholding rights and if the right to obtain and review information was exercised beforehand. According to the Banking Law, Yapı Kredi is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations and the Bank's activities are periodically audited by the Independent Auditor elected in the Annual Shareholders' Meeting.

2.3. Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on March 20, 2018 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting, that was open to the stakeholders and media representatives, with a 92.07% majority. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The Board of Directors and Audit Committee Reports, Financial Statements and Independent Audit Report, Dividend Distribution Proposal for the year 2018, the Annual Report containing the date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report attached thereto and the articles of Annual Shareholders' Meeting Agenda, and the detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office and branches, on its website www.yapikredi.com.tr as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

Shareholders were informed of the donations and charities made in the General Assembly in 2017 and a ceiling amount for the donations to be made in 2018 was determined by the General Assembly as 0.1% (one in a thousand) of the Bank's nonconsolidated shareholders equity amount in accordance with the legal limits set by the BRSA. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, one of the shareholders raised a question which was supposed to be answered in written, have been responded and provided reply has been published trough Bank's web site.

Minutes of the Annual Shareholders' Meeting can be accessed via the KAP, the Electronic General Meeting System and e-company portal of the MKK and on Yapı Kredi's website.

In 2018, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

At the Board of Directors, there were no transactions for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases in which the shareholders possessing management control, members of the board of directors, managers having administrative responsibilities and their spouses and relatives by blood and by marriage up to the second degree carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or carried out a transaction on behalf of themselves or others a business-like transaction that falls within the field of operations of the company or its affiliates or became an unlimited-liability partner of another company dealing with the same kind of business. At the same time, these individuals are pursuing their roles as Board Members in certain companies under Koç Holding and UCI Group, which may have the same area of activity with the company.

2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. Minority shares are not represented in management. Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.

2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. It is resolved at the annual general assembly dated 20.03.2018 that, after necessary legal reserves has been reserved from our bank profit of 2017, the rest of the amount be set aside as extraordinary reserve, dividend distribution has not been made.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on March 20, 2018. The Dividend Distribution Policy of the Bank available on the KAP, the Bank's website and the annual report provides that *"Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency are authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is expected to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend distribution. Reference to the articles of association of the Bank, the General Assembly may resolve to pay advances on profit share to shareholders as per the regulations of the Banking Regulation and Supervision Agency and the Capital Market Board and related laws and regulations. In case of interest and dividend payments are cancelled for the debt securities which included in the calculation of equity issued in accordance with the Banking Regulation and Supervision Agency on the Equity of Banks, dividend payments may not be made to the shareholders in relation to the relevant year. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors to be submitted for the approval of General Assembly whenever necessary, taking into consideration the domestic and international economic conditions and the projects and financial condition on the agenda."*

2.6. Transfer of Shares

There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares and the provisions of the Banking Law which sets the transfer of shares are reserved.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Contents

In accordance to the Bank's Corporate Governance Principles, the Bank has two separate and regularly updated websites in Turkish (www.yapikredi.com.tr) and English (www.yapikredi.com.tr/en). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish (www.yapikredi.com.tr/yatirimci-iliskileri) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, investor relations presentations, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders' Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communique on Material Events Disclosure and all other relevant information. The Annual Shareholders' Meeting disclosure document containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

During the year, on the website of the Bank for investor relations in English, information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts in addition to periodic updates and amendments on all matters were included.

3.2. Annual Report

The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. In addition, the annual report is also including the necessary information in accordance with the "Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks" set forth in the Capital Markets Board (CMB) legislation and the Corporate Governance Principles.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other communication channels. The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis. Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels. Mechanisms were established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank's senior management.

4.2. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies. Furthermore, there are channels available for stakeholders and specifically for the Bank's employees in order for them to support the management of the Bank without hindering the activities of the Bank. Internal customer satisfaction measurement is also conducted once a year in order to get the views and opinions of the Bank's employees.

4.3. Human Resources Policy

The Bank's human resources practices are mainly based on its Employee Guidelines. These guidelines inform employees about HR practices and set employment terms and conditions from an administrative point of view.

The Guidelines are intended to inform and provide consultancy to employees about all matters relevant to employee relations such as employee selection, placement and development in line with employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc.

The Bank's Human Resources and Organization Management carries out its operations in line with the principle of non-discrimination on the basis of race, gender, nationality, age, religion, political affiliation and physical disability and being respectful of privacy and civil rights. Job descriptions, performance and rewarding criteria are announced to all employees.

Under Law no. 6356 on Trade Unions and Collective Labor Agreements, a Collective Bargaining Agreement is in place between the Bank and the Union of Bank and Insurance Workers. This agreement sets out the rights and duties of the parties regarding the matters related to employment contracts of the Bank's union-member employees and other matters concerning the relations between union members and the employer. The agreement also indicates solution paths in the event of possible conflicts between the parties.

57% of Yapı Kredi employees are union members and Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2017 to 31 March 2019.

There is an "Employee Relations Advisory Board" formed of representatives assigned by the Employer and the Union, which work to preserve labor peace and contribute to increasing productivity.

Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

Candidate searches: Following the determination of needs in human resources, candidate searches are initiated through existing candidate pool checks, recruitment platforms and internal announcements as well as consultancy from head hunters. Following the publication of an internal announcement, a special candidate pool composed of existing employees is also prepared. Applications are assessed on the basis of criteria such as education, foreign language skills, work experience, technical and behavioral competences as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes activities in cooperation with university clubs to introduce the working environment and the business model of the Bank to university students, prepare them for business life and learn about their expectations.

Recruitment process: This process consists of competency-based interviews, assessment and evaluation tools and an employment proposal. Using the selected evaluation tools, the candidates are assessed and evaluated based on the technical and behavioral competencies required by their respective job positions. An English language proficiency test is also required for certain positions. The interview stage is aimed at determining whether candidates possess certain abilities (like establishing communication, teamwork) required by the position to which they will be assigned and at observing them in role-playing throughout the process. These interviews take place with the Recruitment team with the relevant department in attendance. Candidates are also asked competency-based and behavior-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the bank's vision, mission and strategic objectives.

4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is formulated and announced on the website.

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations.

While it develops its social responsibility projects in line with the needs and expectations of the society, the Bank encourages active engagement of its stakeholders and provides support to societal activities undertaken by its principal shareholders, Koç Holding and UniCredit.

Since its foundation in 1944, Yapı Kredi has been consolidating the investments made in education, culture & arts, environment and sports through innovative and sustainable social responsibility projects seeking lasting solutions to social problems, and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to expand the benefits of these projects to wider audiences.

Cultural and Arts Projects

Yapı Kredi Culture, Arts, Publishing – An entity catering to a significant need in the cultural and artistic life of Turkey

In 2018, Yapı Kredi Publications published 252 new titles and nearly 1200 reprints. During the year, around 110 school and library events brought together approximately 40 thousand students, teachers and librarians with authors and editors. Having hosted more than 142 thousand art lovers in various events held in its venues, Yapı Kredi Culture and Art Center occupies a significant place in the world of culture and arts in Turkey.

Yapı Kredi Afife Theater Awards – Turkey's most prestigious and longest-lasting arts award

Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater and individuals who have dedicated their lives to this art form, transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

Çatalhöyük Excavations – A long-lived archeological sponsorship

The Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for many years in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya at an altitude of 21 meters, Çatalhöyük hills house secrets from 9,000 years ago. Support to the excavations in Çatalhöyük, one of the most important and impressive archaeological sites in the world and named a UNESCO World Heritage Site, continued also in 2018.

Projects for Citizens with Disabilities

Enabled Banking – Turkey's first and most comprehensive Enabled Banking Program

Initiated in 2008, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making Turkey's finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers.

Projects co-developed with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities) contribute value to the lives of disabled citizens. Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 413 books were transferred onto the digital media, converted into audio books and made available 24/7 to disabled citizens on the phone as of the end of 2018.

Under the project "Speaking is in our Hands", which was started in cooperation with the Federation of the Hearing Impaired, 300 volunteers from branches were provided with sign language training. Yapı Kredi makes life easier for its orthopedically and visually impaired customers via Enabled ATMs throughout Turkey. One of the projects initiated in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2018, a total of 5 disabled individuals were employed by Yapı Kredi.

No Barriers for My Country – Support to the Project Led by Koç Holding

Yapı Kredi sustained its support to the project ' No Barriers for My Country' led by Koç Holding. As of end-2018, 15,671 Yapı Kredi employees had completed ' No Barriers for My Country' distance learning program.

Sustainability and Yapı Kredi

Sustainability Structure

Yapı Kredi manages its activities coordinated by the Sustainability Committee within the framework of the Sustainability Management System it has established, and works to integrate sustainability principles into all of its fields of activity.

Sustainability Report

Yapı Kredi prepared its 2017 Sustainability report in accordance with the Global Reporting Initiative (GRI) Standards core option and publicly disclosed it in 2018.

BIST Sustainability Index

Yapı Kredi qualified to be one of the 50 companies included in Borsa İstanbul's BIST Sustainability Index. The Bank's inclusion in the list was a result of its successful performance in the areas of environmental, social and corporate governance as evaluated by the London-based Ethical Investment Research Service (EIRIS).

Carbon Disclosure Project

As a symbol of the importance Yapı Kredi places on climate change, the Bank participated in the Carbon Disclosure Project Climate Change Program also in 2018 with an expanded report coverage. In addition, the Bank released its first CDP Water Report in 2018, in which it transparently disclosed its water consumption and its impact on water resources.

Gender Equality for My Country

Yapı Kredi takes part in, and extends support to, the project "I support Gender Equality for My Country" which was initiated in June 2015 under the leadership of Koç Holding. The project aims to raise awareness of the reasons and consequences of gender inequality across all segments of the society. As part of the project, voluntary trainers provide awareness training to employees in Yapı Kredi Head Office and in branches. The number of employees who received the training reached 8,268 people by the end of 2018.

Educational Projects

I Read, I Play

In cooperation with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular educational activities. More than 6,100 volunteers at TEGV's activity points around the country are implementing the project. The project reached more than 255 thousand children by the end of 2018.

Science Migration to Anatolia

In 2018, Yapı Kredi began extending support to the social development project "Science Migration to Anatolia" devised by the Young Guru Academy (YGA) with the aim of popularizing science among children. The project, which also includes Yapı Kredi Volunteers, targets to reach 5 thousand children in 50 provinces within three years.

Environmental Projects

Recycling Project

Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2018, more than 1 million kilograms of paper, 2 thousand kilograms of plastic, more than 3 thousand kilograms of glass and over 28 thousand kilograms of metal were collected for recycling. Furthermore, Yapı Kredi prevented the release of more than 180,401 tons of carbon dioxide to the atmosphere, saved over 17,049 trees, 28,081 cubic meters of water, 4,291,668 kWh of energy and 13,303 liters of crude oil. With these wastes recycled, 2,643 cubic meters of stowage area in landfills were saved.

ISO 14064

Yapı Kredi carries on with the ISO 14064 Greenhouse Gas Emissions Reporting certification process initiated in 2011 on an annual basis. The certification process for 2017 was completed in 2018.

ISO 14001

In 2018, Yapı Kredi successfully passed the surveillance audit for maintaining the validity of the ISO 14001 Environmental Management System Certification for the Head Office buildings, Yapı Kredi Plaza D-Block and Banking Base. This year, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Cultural Activities, Arts and Publishing, Yapı Kredi Asset Management and Yapı Kredi Invest also received the same certification, thereby consolidating the combined strength with respect to environmental norms.

Relations with the Academic Community

Anatolian Scholars

With 10 scholars supported in 2018, Yapı Kredi sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011.

Yapı Kredi Vocational and Technical Anatolian High School

One of Yapı Kredi's important projects in the area of education is the Yapı Kredi Bank Vocational and Technical Anatolian High School located in Kocaeli – Çayırova that was launched in the 2008-2009 academic year. Its first graduates received diplomas in 2012 and today, more than 500 students study there in the Child Development and Education, Graphics and Photography, Information Technologies, Catering and Office Management divisions. Furthermore, in 2018, 20 students benefited from scholarships that had been instigated in 2012.

In 2018, Yapı Kredi channelled TL 3.7 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 14.3 million in aid and donations.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The Bank is governed and represented by the Board of Directors. The number of Board members and the members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the independent members are determined in accordance with the BRSA and the CMB regulations. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected at the Shareholders' Meeting on March 20, 2018 in order to serve until the Annual Shareholders' Meeting where the 2018 activities will be discussed is available in the following table as of 31.12.2018 and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the executive director and the CEO and the members serving as deputy executive directors and deputy CEO function as executive members of the Board of Directors. The other members of the Board of Directors do not have executive functions within the framework of the definition specified in CMB regulations.

Name Surname	Position	The Most Recent Position outside the Corporation	Whethe ror Not Independent Member of Board of Directors	Committee Membership and Positions
Yıldırım Ali Koç	Chairman	Vice Chairman of the Board of Directors at Koç Holding A.Ş., Cha irman of the Board of Directors at Koç Finansal Hizmetler A.Ş. and Chairman of the Board of Directors, Vice Chairman and Member Board of Directos at Koç Holding Group Companies	Not Independent	
Carlo Vivaldi	Vice Chairman of The Board of Directors	Head of UniCredit Group Middle East and East Europe, UniCredit Group Executive Committee Member, Member of the Board of Directors at some of the UniCredit Group Companies, Vice Chairman of the Board of Directors at Koç Finansal Hizmeler A.Ş.	Not Independent	Alternate Member of Credit Committee, Member of Remuneration Committee
Gökhan Erün	Executive Directof and Chief Executive Officer	Executive Director and Chief Executive Officer at Koç Finansal Hizmetler A.Ş., Chairman and Vice Chairman at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Chairman of Credit Committee, Chairman of Executive Committee
Niccolo' Ubertalli	Executive Director and Deputy CEO	Executive Director and Deputy CEO at Koç Finansal Hizmetler A.Ş., Vice Chairman and Board Member at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Vice Chairman of Credit Committee, Vice Chairman of Executive Committee
Levent Çakıroğlu	Member of the Board of Directors	CEO at Koç Holding A.Ş., Member of the Board of Director at Koç Finansal Hizmetler A.Ş. and Member of Board of Directors at Koç Group Companies	Not Independent	Member of Remuneration Committee
Fatma Füsun Akkal Bozok	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Lecturer at Sabancı University	Not Independent	Member of Credit Committee
Ahmet Fadıl Ashaboğlu	Member of the Board of Directors	CFO at Koç Holding A.Ş., Member of Board of Directors at Koç Group Companies, Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Not Independent	
Wolfgang Mag. Schilk[1]	Member of the Board of Directors	Head of Risk Management at UniCredit, Member of Board of Directors at some of the UniCredit Group Companies and Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee, Member of Credit Committee

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Mirko Davide Georg Bianchi	Member of the Board of Directors	CFO at UniCredit Group, Member of Board of Directors at some of the UniCredit Group Companies, Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Corporate Governance Committee
Gianfranco Bisagni	Member of the Board of Directors	Co-Chairman of UniCredit Corporate and Investment Banking Member of the Board of Directors at Koç Finansal Hizmeler A.Ş.	Not Independent	
Aykut Ümit Taftalı	Member of the Board of Directors	Member of Steering Committee at Koç Holding A.Ş., Member of the Board of Directors at Koç Finansal Hizmetler A.Ş, Chairman of Board of Directors at Kare Holding, Member of the Board of Directors at Kıraça Holding	Not Independent	Alternate Member of Credit Committee
Francesco Giordano	Member of the Board of Directors	Co-Chairman of UniCredit Responsible for Operation, Member of Board of Directors at some of the UniCredit Group Companies and Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	
Adil Giray Öztoprak	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Member of Audit Committee, Member of Corporate Governance Committee
Giovanna Villa	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Member of the Audit Committee at some companies at abroad.	Independent	Member of Audit Committee

(1)Based on Capital Markets Board's Item 6(3)a of the Communique numbered II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee is deemed as Independent Board Member.

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Giovanna Villa and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 15.01.2018 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the same date. It was decided in CMB's meeting held on 01.02.2018 that no negative opinions be submitted for Giovanna and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an Audit Committee Member within the Bank's organization for the Board of Directors shall be considered as Independent Board Members within the framework of this communique. The same communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of Banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. Within this framework, end of 2018, the other Independent Members of the Audit Committee was Wolfgang Schilk, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set.

During the 2018 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 14% in 2018.

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2018, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are subject quorum of at least one more than half the total number of members. Members of the Board of Directors are not granted weighted voting rights. The average attendance rate of the members in the meetings of the Board of Directors in 2018 was 90%.

Meeting invitations are sent to all Members on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

5.3. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decision making process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 14 members. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the members. In 2018, the Executive Committee convened 42 times with the required majority and quorum satisfied.

The Committee's responsibilities include:
- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members

Chairman		Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Albert Angersbach(1)	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Erhan Adalı(2)	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen(3)	Assistant General Manager - Retail Banking
Member	Arif Ö. İsfendiyaroğlu(4)	Assistant General Manager - Retail Banking Sales
Member	Hakan Alp(5)	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Saruhan Yücel(6)	Assistant General Manager - Treasury

(1)Based on Board Resolution dated 31 May 2018, Albert Angersbach was appointed as Assistant General Manager responsible for Risk Management (CRO) (replacing Patrick Schmitt who resigned from his position as of 1 August 2018)

(2)Based on Board Resolution dated 16 February 2018, Erhan Adalı was appointed as Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position as of 16 February 2018)

(3)Zeynep Nazan Somer Özelgin, who served as Assistant General Manager of Retail Banking, resigned as of 1 January, 2018. Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking.

(4)Based on Board Resolution dated 28 November 2018, Arif Ö. İsfendiyaroğlu was appointed as Assistant General Manager responsible for Retail Banking Sales (replacing Mert Yazıcıoğlu who resigned from his position as of 30 November 2018)

(5)Based on Board Resolution dated 13 August 2018, Hakan Alp was appointed as Assistant General Manager responsible for Human Resources and Organization (replacing Mehmet Gökmen Uçar who resigned from his position as of 30 June 2018)

(6)Based on Board Resolution dated 31 May 2018, Saruhan Yücel was appointed as Assistant General Manager responsible for Treasury (replacing Mert Öncü who resigned from his position as of 30 March 2018)

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. The Credit Committee normally convenes once a week. In 2018, the Credit Committee convened 48 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members		
Chairman		Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy
Member	F. Füsun Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors

Credit Committee Alternate Members		
Alternate Members	Carlo Vivaldi	Vice Chairman of the Board of Directors
Alternate Members	A. Ümit Taftalı	Member of the Board of Directors

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2018, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members		
Chairman	Wolfgang Schilk	Member of the Board of Directors
Member	Giovanna Villa	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. Conducting studies in the scope of evaluating and determining of the independent candidates suitable for Board of Directors, presenting the nominated candidates to the Board of Directors for approval. In 2018, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Adil G. Öztoprak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2018, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

5.4. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, under the Audit Committee organisational structure, consists of Internal Audit, Compliance and Internal Control as well as Risk Management departments. Through the Manager of Internal Systems and Audit Committee, these departments report to the Board of Directors as per the regulations.

5.5. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

5.6. Financial Benefits

As defined in our Financial Statements Chapter fifth footnote no:7.2. In 2018, TL 57,091 thousand (Group: TL 66,780 thousand) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy.

The remuneration policy for the Board of Directors and the senior management and employees was submitted to the review of the shareholders 3 weeks before the Annual Shareholders' Meeting held on March 20, 2018 through the Annual Shareholders' Meeting Disclosure Document and at the Bank's Head Office and branches, on the Bank's website at www.yapikredi.com.tr, at the KAP and the Electronic General Meeting System of the MKK and was approved at the Annual Shareholders' Meeting. The said policy as disclosed publicly through the Bank's website will be taken on the agenda of the Annual Shareholders' Meeting to be held on March 18, 2019 where the 2018 activities will be discussed and thus will be submitted to the opinion of the shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.

TRANSACTIONS CARRIED OUT WITH THE RISK GROUP

Transactions with the risk group are carried out at arms-length and under market conditions in compliance with the Banking Law. In 2018, all related party transactions were undertaken within regulatory limits.

Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note 7 of the publicly announced Consolidated Financial Report as of 31 December 2017.

AFFILIATED COMPANY REPORT

According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section five Note 7 of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 22 February 2019, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2018, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing."

INDEPENDENCE DECLARATIONS

Below is the independence declaration dated January 15, 2018 of Giovanna Villa, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2018.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Giovanna VILLA

INDEPENDENCE DECLARATIONS

Below is the independence declaration dated January 15, 2018 of Adil Giray Öztoprak, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2018.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I am considered to be a resident of Turkey in accordance with the Income Tax Code (ITC) dated 31/12/1960 and number 193;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Adil Giray ÖZTOPRAK

YapıKredi

STATEMENT OF RESPONSIBILITY SUBMITTED AS PER ARTICLE 9 OF COMMUNIQUE NO. II-14.1. ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS BY CAPITAL MARKETS BOARD

The activity report with for 2018 issued by the our Bank in accordance with the Turkish Commercial Code and "Communiqué No. II-14.1. on Principles regarding Financial Reporting in Capital Markets" of the Capital Markets Board ("Communiqué") and made subject to the independent audit by PwC Bağımsız Denetim Ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi and including the Corporate Governance Principles Compliance Report in compliance with the formats determined in 2014, which is permitted to be used by the CMB with the resolution dated 10.01.2019, has been herein attached.

We hereby declare that, as per the CMB regulations, the activity report prepared by our Bank has been:

- reviewed by us,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, does not contain any misleading statements with regards to important matters or does not contain any missing information that would be interpreted as misleading as of the date of statement,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, it fairly reflects the development and performance of the business and along with those within the scope of consolidation, the financial status as well as the significant risks and uncertainties faced with

and we assume liability for this statement.

Yours sincerely,

Gökhan ERÜN	**Adil G. ÖZTOPRAK**	**Massimo FRANCESE**
Executive Director and CEO	**Audit Committee Member**	**Asistant General Manager**

Koç UniCredit

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Ticaret Sicil Numarası: 32736 Mersis No: 0937002089200741 İşletmenin Merkezi: Yapı Kredi Plaza D Blok 34330 Levent İstanbul
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I READ, I PLAY

TEGV

Educational Volunteers Foundation of Turkey
The Educational Volunteers Foundation of Turkey was founded in 1995, with the mission of supporting the education provided by state, to turn school age children into modern and qualified citizens, who have adopted the basic principles of the republic. Educational Volunteers Foundation of Turkey implement educational programs with help from volunteers at education centers throughout Turkey.

The Educational Volunteers Foundation of Turkey (TEGV) was founded in 1995, in order to support the primary education provided by the government, for the purpose of educating the school age children as equipped and qualified individuals who have the basic principles of contemporary and universal values and republic.

TEGV implement educational programs with help from volunteers at its education centers throughout Turkey.

Since 2006, we have been supporting the project "I Read, I Play", which was launched in collaboration with TEGV, to enable children without access to modern education opportunities to engage in extracurricular educational activities.

The educational program is implemented in two modules: Creative Reading, and the new Creative Writing. Creative Reading aims to develop children's creative thinking, listening, reading, comprehending, and to tell friends, both verbally and in writing what they have experienced and heard abilities.

Creative Writing intends to gain children the enthusiasm of writing and to encourage them to take their first steps towards creating a writing culture.

The activities of this project, which we are implementing in line with our objective of contributing to education, are carried out by over 6.000 volunteers at activity centers of TEGV throughout the country. A room named Reading Island, located at learning facilities and educational parks, has been redecorated to be in compliance with the content of the project.

The project "I Read, I Play" was implemented in December 2006 for the first time and has garnered significant interest from the children at TEGV and the room utilization rates soared to158%. Through this project, we reached over 255 thousand children/activities as of the end of 2018.

In addition to this project we have been implementing for 13 years, we are also organizing other activities that support the development of children. Literature festivals and "Street Theaters" are some of the activities we have done so far.

Colorful Pens

Launched in 2014 with the support of experienced journalists, the "Colorful Pens" projects is expected to carry the goal and mission of the "I Read, I Play" education program a step forward. Under the mentorship of skilled journalists and TEGV instructors, children at TEGV activity points all around Turkey publish their own newspaper as part of the project. From layout to photography

and news content to design, children prepare the Colorful Pens Newspaper entirely by themselves

and share it in their provinces. Through this project, we also contribute to promoting media literacy.

Taking into consideration primary school children's high usage of the internet and their technological

competence, we transferred the Colorful Pens Newspaper to a digital platform by publishing it on www.renklikalemler.org as of 2017.

PART 3

FINANCIAL INFORMATION AND RISK MANAGEMENT

AUDIT COMMITTEE'S ASSESSMENT ON INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Internal Audit

The Internal Audit Department is responsible for executing Yapı Kredi's internal audit activities with a team of 155 employees, 141 of whom are assigned to internal auditing of the Bank and 14 to subsidiaries. The Department directly reports to the Board of Directors via the Audit Committee.

Yapı Kredi's approach to internal audit covers regular branch audits, process audits, investigations and follow-up audits. The risks identified during audits are submitted to the Top Management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk perspective. In 2018, the Internal Audit Team carried out all audits in line with the annual audit plan. In total, 68 process audits were performed, out of which 60 were Head Office process audits and 8 were Central Subsidiary process audits. Additionally, 64 domestic and international subsidiary process audits were carried out. Moreover, 424 branch audits (exceeding the annual target by 4) were conducted, out of which 60 were follow-up audits, 1 was a spot branch audit, 360 were regular branch audits, and 3 were branch process audits. 80 Bank and 2 subsidiary investigations/inquiries were carried out. In addition, 51 support service audits were completed.

The Annual Audit Certification Program, launched in 2010 in order to build up the professional knowledge of auditors and run in collaboration with Boğaziçi University and the Turkish Institute of Internal Auditors (TIDE), continued also in 2018.

In Yapı Kredi, regular branch and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with Top Management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2018, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, the Internal Audit Department audited support services companies within the scope of Management Assertion, in addition to banking processes and general IT controls. The results are presented to the Board of Directors.

Internal Control

At Yapı Kredi, internal control activities are carried out under the governance of the Audit Committee by a team of 102 employees in total, including the subsidiaries. 84 of these employees are employed at the Bank.

Regular control activities are performed at Yapı Kredi branches and/or at the Head Office in accordance with the BRSA and international control standards and practices, and internal risk assessments. Findings from these activities are reported to related units in a timely manner to ensure that necessary improvements are made and the process is followed until completion.

Periodic reports related to internal control activities and their results are presented to the Audit Committee and senior management.

Comprehensive career training programs and certification programs are undertaken continuously at the Bank in collaboration with various universities and the Turkish Institute of Internal Auditors (TIDE).

In 2018, on-site audits including follow-up controls were performed at 413 branches. Additionally, remote controls were performed at both the Head Office and branches. Internal control activities were carried out also at eight subsidiaries in 2018.

Risk Management

Yapı Kredi's risk management activities are carried out in line with international legislation by 123 employees under the Audit Committee's governance in order to measure, monitor, report and mitigate the risks to which the Bank may be exposed on stand-alone and consolidated bases. Risk Management is carried out under three sub-departments: credit risk, strategic risk control and market risk.

In 2018, the Credit Policy Directive, which reflects the Bank's strategy with regard to asset quality, effective risk management and regulatory compliance strategy, was updated. Additionally:

- Following the official application for calculating the value at credit risk using the internal ratings-based approach (IRB) in 2017, BRSA's evaluation process was completed in 2018. The official report is awaited.
- Regular updates/improvements continued for the rating/scoring systems. Validation activities were performed parallel to modeling activities.
- IFRS9 – Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) models have been completed and put into practice in 2018.
- Data quality monitoring environment for model inputs and outputs was established.
- Underwriting and monitoring strategy is updated regularly.

Operational and Reputational Risk

Yapı Kredi's main objective in relation to operational risk is to identify, measure and mitigate operational and reputational risks at the Bank and subsidiary level. The Bank's policies are reviewed on a yearly basis, updated as and when necessary, and submitted to the Board of Directors for approval. Compliance with Basel-II advanced measurement approach is carried out under operational and reputational risk. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new products is carried out and a risk map of information technologies is prepared. Operational risk, reputational risk and business continuity activities are presented to the Board of Directors on a quarterly basis via the Audit Committee.

RISK MANAGEMENT POLICIES

Yapı Kredi's risk management policy entails full involvement of all employees. According to this directive, any limit overrun or any breach of policy is reported to management and the Executive Committee in a timely manner.

Credit Risk

The Credit Policy Directive, which reflects the general framework of the Bank's lending operations, is updated annually and enters into force following approval by the Board of Directors. The Credit Policy Directive in effect is based on improving asset quality, supporting effective risk management and achieving compliance with regulations. In addition, it includes common standards, limitations and principles applicable to all credit management practices throughout the Bank.

The main purpose of the credit risk management is to measure and mitigate credit risk, respond in a timely manner and take necessary actions, employing efficient and well-functioning rating/scoring models, strategies and processes. The main strategies pursued include:

- Effective implementation of the Credit Policy Directive to maintain the common risk management approach across the organization
- Channeling the loan portfolio toward less risky sectors
- Avoiding excessive concentration in Group exposures while strictly conforming to statutory limits
- Focusing on customers with better credit ratings
- Avoiding transactions bearing high credit and reputational risk
- Managing country risk by prudent application of established strategies, policies and practices
- Adopting necessary preventive actions against new defaults in consumer and SME loans
- Timely updates to senior management about all developments in the credit risk area to ensure effective credit risk management
- Redesigning limit management strategies in retail loans
- Ensuring continuity in collections
- Managing credit process harmonization among legal entities
- Performing credit stress tests
- Participating in credit risk regulatory processes

Additionally, the Credit Risk Mitigation guideline was approved by the Board of Directors as part of secured lending, roles and responsibilities in collateral management lifecycle were clearly defined, and rules were set out for the soundness, legal enforceability and realization of appraisable collateral in compliance with Basel II IRB requirements.

The General Lending Policies Guideline was drawn up and approved by the Board of Directors. This guideline represents an extension to the Credit Policy with additional guidance and explanations in regard to the lending rules and principles for Corporate, Commercial, IMB, FI, SME and Individual customers and products in the light of Basel II IRB requirements.

Operational and Reputational Risk

The operational risk management policy, which was most recently updated and published in 2018, covers group-wide principles and standards regarding responsibilities of the operational risk management unit and managerial structure, strategy, policy and investments for the control and management of operational risk and information technologies risks, and the frequency, content and recipients of operational risk and IT risk reports. The Business Continuity Management Policy is intended to minimize risks that might endanger the continuity of the Bank's activities and ensure recovery of critical services/products in the desired time span in case of disruption. This Business Continuity Management Policy is regularly updated and approved by the Board of Directors.

Moreover, the Reputational Risk Management Policy that went into effect in 2013 to define the set of principles and procedures to control, measure and mitigate reputational risks was revised in March 2018 in the light of legal and internal standards. The policy focuses on reputational risk control system for establishing and maintaining effective reputational risk management, measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the Bank's reputation as well as identifying sensitive sectors and risky areas in conformity with credit policies and international standards.

2018 FINANCIAL REVIEW

Based on the consolidated financial results dated 31 December 2018 prepared according to the Banking Regulation and Supervision Agency (BRSA) regulations, Yapı Kredi recorded a net income of TL 4,668 million and a return on average tangible equity of 14.2% in 2018. During the same period, Bank's total assets increased by 17% annually to TL 373.4 billion, carrying Yapı Kredi up to third position in the rankings among private banks. Throughout the year, Yapı Kredi further increased its contribution to the financing of the Turkish economy. Total cash and non-cash loans increased by 10% to TL 306.3 billion.

In 2018, total cash loans increased by 10% to TL 220.5 billion. Accordingly, Yapı Kredi's market share in total cash loans among private banks increased by 79 basis points to 16.2%. In addition, the Bank gained 40 basis points market share in TL loans among private banks in 2018. At the same time, the Bank sustained its long-standing leadership in credit cards. Deposit increased by 21% to TL 210.3 billion. Carrying on with its increasing trend particularly in individual time deposits and individual TL demand deposits, Yapı Kredi gained market share of 90 basis points and 10 basis points respectively in these two product groups among private banks in 2018. Accordingly, the Bank's market share in customer deposits among private banks was realized at 15.9%.

In terms of liquidity, the Bank's loan-to-deposit ratio including TL bonds improved 10 percentage points to 104%, thanks to higher expansion of deposits versus loans. In 2018, Yapı Kredi continued to diversify its funding source and raised USD 3.7 billion in total through syndications, securitizations, bond issuances and other financial instruments.

In terms of revenue generation, the Bank's core revenues increased by 45% toTL 20,037 million, thanks to sustainable loan-deposit spread, higher net interest income and fee income and increased CPI linkers revenues. On the other hand, costs excluding pension fund provisions increased by 13%, below the average inflation level, thanks to a disciplined approach to cost management. Cost-to-income ratio came down by 887 basis points to 33.4% in 2018. In the same period, cumulative net interest margin widened by 99 basis points to 4.0%.

In 2018, despite Non-Performing Loan (NPL) sales, the Bank's asset quality was negatively affected by economic volatilities and the sharp currency depretiation. This resulted in a rise of NPL inflows along with the Bank's conservative approach and NPL ratio increased by 95 basis points to 5.3%. In terms of capital, Yapı Kredi's consolidated capital adequacy ratio improved by 144 basis points and reached 14.8% thanks to the rights issue in June and ongoing internal capital generation efforts. In addition, the Bank finalised an Additional Tier-1 issuance of USD 650 million in January 2019, bringing the Tier-1 ratio to 12.5%.

In 2018, the Bank paid TL 384 thousand in total administrative fines enforced on the Bank by regulatory and supervisory authorities.

FIVE YEAR SUMMARY FINANCIALS

	2014	2015	2016	2017	2018
Total Assets	194.959	235.268	271.135	320.066	373,376
Cash + Non-Cash Loans	174.291	210.133	244.940	278.725	306,334
Loans	125.534	152.489	176.486	199.874	220,549
Deposits	107.631	130.025	157.088	173.384	210,291
Shareholder's Equity	20.214	23.086	26.121	30.102	39,007
Net Income / (Loss)	2.056	1.909	2.933	3.614	4,668
Capital Adecuacy Ratio (Group)	%14,4	%12,9	%13,2	%13,4	14.8%
Capital Adecuacy Ratio (Bank)	%15,0	%13,8	%14,2	%14,5	16.1%
Number of Branches (Group)	1.042	1.043	974	897	886
Number of Branches (Bank)	1.003	1.000	936	866	854
Number of Employees (Group)	18.534	19.345	19.419	18.839	18,448
Number of Employees (Bank)	17.457	18.262	18.366	17.944	17,577

CREDIT RATINGS

Yapı Kredi's credit ratings which are given by international credit rating agencies Fitch, Moody's and Standard & Poor's are listed below.

Fitch	Rating	Outlook
Long Term Foreign Currency	BB-	Negative
Long Term Local Currency	BB	Negative
Short Term Foreign Currency	B	
Short Term Local Currency	B	
Viability Rating	b+	
Support Rating	3	
National Long Term	AA(tur)	Stable
Senior Unsecured Debt	BB-	

Standard & Poor's	Rating	Outlook
Long Term Foreign Currency	B+	Stable
Long Term Local Currency	B+	Stable
Short Term Foreign Currency	B	
Short Term Local Currency	B	
National Long Term	trA+	
National Short Term	trA-1	
Senior Unsecured Debt	B+	

Moody's	Rating	Outlook
Long Term Foreign Currency Deposit	B2	Negative
Long Term Local Currency Deposit	B1	Negative
Short Term Foreign Currency Deposit	Not Prime	
Short Term Local Currency Deposit	Not Prime	
National Scale Rating	A2.tr	
Senior Unsecured Debt	B1	

Note: Ratings are update as of February 22, 2019

Yapı ve Kredi Bankası A.Ş.

Publicly Announced Unconsolidated Financial Statements and Related Disclosures at December 31, 2018 together with Auditor's Review Report

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

Convenience translation into english of Independent auditor's report Originally issued in turkish (See note I of section three)

Independent Audıtor's Report

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

A. Audit of the Unconsolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

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

Independent Audıtor’s Report

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

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

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

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

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

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

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

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

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

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

Independent Audıtor's Report

audit. We also:

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Halûk Yalçın, SMMM
İstanbul, 1 February 2019

Yapı ve Kredi Bankası A.Ş.
The Unconsolıdated Year End Fınancıal Report
As of December 31, 2018

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

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

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

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

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

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

Contents

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

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

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

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

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

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

Board of Directors Members:

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

Audit Committee Members:

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

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

General Manager and Deputy General Manager:

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

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Albert ANGERSBACH	Risk Management
Arif Özer İSFENDİYAROĞLU(1)	Retail Banking Sales Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Hakan ALP	Human Resources and Organization Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

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

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.

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

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

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

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

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

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

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

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

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

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

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

All other subsidiaries are fully consolidated.

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

None

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
As of 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)

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

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

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
As of December 31, 2017

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

1. Balance sheet (Statement of Financial Position)

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

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

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
As of December 31, 2018

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

1. Balance sheet (Statement of Financial Position)

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

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

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
As of December 31, 2017

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

1. Balance sheet (Statement of Financial Position)

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

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

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

2. Off-balance sheet commitments

		Note (Section Five)	Current Period (31/12/2018)			Prior Period (31/12/2017)		
			TP	FC	Total	TP	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**216.249.011**	**356.444.036**	**572.693.047**	**293.686.722**	**385.229.009**	**678.915.731**
I.	**Guarantees and warranties**	**3.1.2.1**	**26.421.786**	**59.852.965**	**86.274.751**	**26.495.214**	**51.671.080**	**78.166.294**
1.1	Letters of guarantee	3.1.2.2	26.251.027	41.182.795	67.433.822	26.441.208	33.757.070	60.198.278
1.1.1	Guarantees subject to state tender law		562.791	1.240.942	1.803.733	791.090	1.168.552	1.959.642
1.1.2	Guarantees given for foreign trade operations		3.909.134	39.941.853	43.850.987	3.381.312	32.588.518	35.969.830
1.1.3	Other letters of guarantee		21.779.102	-	21.779.102	22.268.806	-	22.268.806
1.2	Bank acceptances		-	200.915	200.915	-	212.685	212.685
1.2.1	Import letter of acceptance		-	200.915	200.915	-	212.685	212.685
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		152.733	10.564.051	10.716.784	20.000	10.924.238	10.944.238
1.3.1	Documentary letters of credit		152.733	10.564.051	10.716.784	20.000	10.924.238	10.944.238
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		18.026	3.997.024	4.015.050	34.006	2.421.805	2.455.811
1.9	Other warranties		-	3.908.180	3.908.180	-	4.355.282	4.355.282
II.	**Commitments**	**3.1.1**	**57.594.918**	**27.384.129**	**84.979.047**	**93.480.873**	**92.316.175**	**185.797.048**
2.1	Irrevocable commitments		56.759.355	9.049.492	65.808.847	92.020.358	42.021.703	134.042.061
2.1.1	Asset purchase and sale commitments		1.969.620	6.371.281	8.340.901	36.662.381	40.236.824	76.899.205
2.1.2	Deposit purchase and sales commitments		-	-	-	29.564	762.402	791.966
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		10.167.781	2.192.840	12.360.621	9.349.555	775.480	10.125.035
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7	Commitments for checks payments		2.990.824	-	2.990.824	6.844.741	-	6.844.741
2.1.8	Tax and fund liabilities from export commitments		4.551	-	4.551	7.297	-	7.297
2.1.9	Commitments for credit card expenditure limits		35.189.895	-	35.189.895	33.700.364	-	33.700.364
2.1.10	Commitments for credit cards and banking services promotions		27.510	-	27.510	18.322	-	18.322
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.409.174	485.371	6.894.545	5.408.134	246.997	5.655.131
2.2	Revocable commitments		835.563	18.334.637	19.170.200	1.460.515	50.294.472	51.754.987
2.2.1	Revocable loan granting commitments		835.563	18.334.637	19.170.200	1.460.515	50.294.472	51.754.987
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**132.232.307**	**269.206.942**	**401.439.249**	**173.710.635**	**241.241.754**	**414.952.389**
3.1	Derivative financial instruments held for hedging		48.402.801	48.037.678	96.440.479	42.759.791	30.433.834	73.193.625
3.1.1	Fair value hedges		270.141	3.175.835	3.445.976	270.141	2.336.735	2.606.876

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

2. Off-balance sheet commitments

		Note (Section Five)	Current Period (31/12/2018)			Prior Period (31/12/2017)		
			TP	FC	Total	TP	FC	Total
3.1.2	Cash flow hedges		48.132.660	44.861.843	92.994.503	42.489.650	28.097.099	70.586.749
3.1.3	Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2	Trading transactions		83.829.506	221.169.264	304.998.770	130.950.844	210.807.920	341.758.764
3.2.1	Forward foreign currency purchase and sale transactions		8.116.786	10.730.591	18.847.377	11.063.125	14.589.393	25.652.518
3.2.1.1	Forward foreign currency purchase transactions		3.821.115	5.862.521	9.683.636	4.066.561	8.704.699	12.771.260
3.2.1.2	Forward foreign currency sale transactions		4.295.671	4.868.070	9.163.741	6.996.564	5.884.694	12.881.258
3.2.2	Currency and interest rate swaps		69.858.272	174.331.835	244.190.107	104.077.472	164.682.628	268.760.100
3.2.2.1	Currency swap purchase transactions		15.558.017	63.616.649	79.174.666	19.511.430	87.065.133	106.576.563
3.2.2.2	Currency swap sale transactions		47.018.255	34.011.042	81.029.297	79.436.042	28.617.705	108.053.747
3.2.2.3	Interest rate swap purchase transactions		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.2.4	Interest rate swap sale transactions		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.3	Currency, interest rate and securities options		5.034.420	12.244.720	17.279.140	9.678.309	16.400.673	26.078.982
3.2.3.1	Currency purchase options		1.735.423	5.022.695	6.758.118	3.910.315	7.906.039	11.816.354
3.2.3.2	Currency sale options		2.998.997	3.709.657	6.708.654	5.467.994	6.672.990	12.140.984
3.2.3.3	Interest rate purchase options		150.000	2.325.046	2.475.046	-	1.058.039	1.058.039
3.2.3.4	Interest rate sale options		150.000	1.187.322	1.337.322	300.000	763.605	1.063.605
3.2.3.5	Securities purchase options		-	-	-	-	-	-
3.2.3.6	Securities sale options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency purchase futures		-	-	-	-	-	-
3.2.4.2	Currency sale futures		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2	Interest rate sale futures		-	-	-	-	-	-
3.2.6	Other		820.028	23.862.118	24.682.146	6.131.938	15.135.226	21.267.164
B.	**CUSTODY AND PLEDGED SECURITIES (IV+V+VI)**		**3.144.563.530**	**655.742.081**	**3.800.305.611**	**640.568.079**	**283.266.808**	**923.834.887**
IV.	**ITEMS HELD IN CUSTODY**		**357.170.276**	**530.118.288**	**887.288.564**	**355.509.137**	**191.474.709**	**546.983.846**
4.1	Assets under management		-	-	-	-	-	-
4.2	Securities held in custody		333.178.706	529.517.839	862.696.545	333.343.112	190.867.166	524.210.278
4.3	Checks received for collection		18.324.311	55.419	18.379.730	17.328.672	87.339	17.416.011
4.4	Commercial notes received for collection		5.609.115	464.462	6.073.577	4.779.209	460.360	5.239.569
4.5	Other assets received for collection		-	64.289	64.289	-	47.846	47.846
4.6	Securities received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	16.279	74.423	58.144	11.998	70.142
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**2.767.738.690**	**115.746.850**	**2.883.485.540**	**271.152.739**	**90.899.235**	**362.051.974**
5.1	Marketable securities		249.891	583	250.474	193.385	418	193.803
5.2	Guarantee notes		1.144.853	316.775	1.461.628	930.316	266.781	1.197.097
5.3	Commodity		17.430	-	17.430	23.010	-	23.010
5.4	Warrant		-	-	-	-	-	-
5.5	Immovables		2.589.950.921	92.780.033	2.682.730.954	119.604.456	70.551.995	190.156.451
5.6	Other pledged items		176.375.595	22.640.019	199.015.614	150.401.572	20.073.243	170.474.815
5.7	Depositories receving pledged items		-	9.440	9.440	-	6.798	6.798
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**19.654.564**	**9.876.943**	**29.531.507**	**13.906.203**	**892.864**	**14.799.067**
	TOTAL OFF BALANCE SHEET COMMITMENTS)		**3.360.812.541**	**1.012.186.117**	**4.372.998.658**	**934.254.801**	**668.495.817**	**1.602.750.618**

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

Yapı ve Kredi Bankası A.Ş.
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3 Statements of Profit Or Loss

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

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Yapı ve Kredi Bankası A.Ş.
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3 Statements of Profit Or Loss

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

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Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Statement of Profit or Loss and Other Comprehensive Income

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

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

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Financial Statements
As of December 31, 2018 and 2017

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

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

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

Yapı ve Kredi Bankası A.Ş.
Unconsolidated Statement of Changes in Shareholders' Equity as of December 31, 2018

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

5. Statement of changes in shareholders' equity

Current Period (31/12/2018)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
CHANGES İN SHAREHOLDER'S EQUİTY	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3
I. Balance at the beginning of the period	4.347.051	543.881	-	1.340.087	1.360.019	(178.038)	1.356.685
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	(181.350)
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	(181.350)
III. New balance (I+II)	4.347.051	543.881	-	1.340.087	1.360.019	(178.038)	1.175.335
IV. Total comprehensive income (loss)	-	-	-	-	485.503	(40.032)	2.199
V. Capital increase in cash	4.100.000	13.056	-	(29.472)	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	108	-	-	-
XI. Profit distribution	-	-	-	127.833	-	-	-
11.1. Dividends distributed	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-
11.3. Other	-	-	-	-	-	-	-
Period end balance (III+IV+......+X+XI)	8.447.051	556.937	-	1.438.556	1.845.522	(218.070)	1.177.534

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

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

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss						
4	5	6	Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total shareholders' equity
1.174.944	(381.624)	375.225	16.545.616	-	3.614.081	30.097.927
-	110.325	-	(62.054)	-	-	(133.079)
-	-	-	-	-	-	-
-	110.325	-	(62.054)	-	-	(133.079)
1.174.944	(271.299)	375.225	16.483.562	-	3.614.081	29.964.848
892.573	(1.476.711)	424.109	-	-	4.667.426	4.955.067
-	-	-	-	-	-	4.083.584
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(108)	-	-	-
-	-	-	3.486.248	-	(3.614.081)	-
-	-	-	-	-	-	-
-	-	-	3.486.248	-	(3.614.081)	-
-	-	-	-	-	-	-
2.067.517	(1.748.010)	799.334	19.969.702	-	4.667.426	39.003.499

Yapı ve Kredi Bankası A.Ş. Unconsolidated Statement of Changes in Shareholders' Equity as of December 31, 2017

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

5. Statement of changes in shareholders' equity

	Prior Period (31/12/2017)	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves
I.	**Prior period end balance**		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**
	Changes in the period								
II.	**Increase/decrease due to the merger**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
III.	**Marketable securities valuation differences**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
IV.	**Hedging transactions (effective portion)**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
4.1	Cash flow hedge		-	-	-	-	-	-	-
4.2	Foreign net investment hedge		-	-	-	-	-	-	-
V.	**Property and equipment revaluation differences**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Intangible assets revaluation differences**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Foreign exchange differences**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Changes due to the disposal of assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Changes due to the reclassification of assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Effect of the changes in equity of investment in associates**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XII.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
12.1	Cash increase		-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-
XIII.	**Share premium**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**Share cancellation profits**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XV.	**Paid in-capital inflation adjustment difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XVI.	**Other**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**Current year income or loss**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
XVIII.	**Profit distribution**		**-**	**-**	**-**	**-**	**24.871**	**-**	**2.761.874**
18.1	Dividend paid		-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874
18.3	Other		-	-	-	-	-	-	-
	Period end balance (I+II+III+…+XVI+XVII+XVIII)		**4.347.051**	**-**	**543.881**	**-**	**869.410**	**-**	**15.675.023**

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

Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
1.199.164	2.932.795	-	1.710.409	1.449.056	15.165	163.338	-	26.118.547
-	-	-	-	-	-	-	-	-
-	-	-	67.980	-	-	-	-	67.980
-	-	-	-	-	-	205.690	-	205.690
-	-	-	-	-	-	451.344	-	451.344
-	-	-	-	-	-	(245.654)	-	(245.654)
-	-	-	-	(89.037)	-	-	-	(89.037)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1.106	-	-	1.106
-	-	-	(3.504)	-	-	6.197	-	2.693
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	375.120	-	-	-	-	375.120
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(198.253)	-	-	-	-	-	-	-	(198.253)
-	3.614.081	-	-	-	-	-	-	3.614.081
146.050	(2.932.795)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
146.050	(2.932.795)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1.146.961	3.614.081	-	2.150.005	1.360.019	16.271	375.225	-	30.097.927

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6. Statement of cash flows

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

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

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6. Statement of cash flows

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

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

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7. Profit Distribution[1]

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

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

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

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Section Three - Accounting policies

1. Explanations on basis of presentation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional paragraph for convenience translation into English:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Explanations on interest income and expense:

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

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

6. Explanations on fee and commission income and expenses:

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

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

7. Explanations on financial assets:

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

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

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

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

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

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

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

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

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- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of salesb in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

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

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

- Other business models

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

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

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

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

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

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

7.1 Financial assets at fair value through profit or loss

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

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

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

7.2. Financial assets measured at amortised cost:

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

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7.3. Loans :

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

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

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

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

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

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

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

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

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7.5. Equity instruments measured at fair value through other comprehensive income:

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

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

8. Explanations on impairment of financial assets:

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

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

The measurement of the expected credit loss allowance:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

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

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

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

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

The main adjustments aimed at:

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

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

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

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

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

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

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

Significant increase in credit risk

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

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Quantitative Assessment:

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

As of reporting date:

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

Qualitative Assessment:

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

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

Financial instruments defined as low risk for TFRS 9 are;

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

Forward Looking Information:

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

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

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

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

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9. Explanations on offsetting financial assets:

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

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

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

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

The Bank has no securities lending transactions.

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

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

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

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

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

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

12.2. Other intangible assets:

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

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

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

13. Explanations on property and equipment:

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

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

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

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

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

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

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

14. Explanations on leasing transactions:

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

14.1 Financial lease

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

14.2. Operational lease

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

15. Explanations on provisions, contingent liabilities:

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

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

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

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16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

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

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

16.2. Pension rights

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

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

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

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

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

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

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

16.3. Short term benefits of employee:

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

17. Explanations on taxation:

17.1. Current tax:

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

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

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

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

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

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

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

17.2. Deferred tax:

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

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

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

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

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

17.3. Transfer pricing:

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

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

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

18. Explanations on borrowings:

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

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

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

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

19. Explanations on issuance of share certificates:

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

No dividend payments were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

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

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.075 (December 31, 2017 - TL 1.183).

22. Profit reserves and profit distribution:

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

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23. Earnings per share:

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

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

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

No bonus shares were issued during 2018 (2017 - None).

24. Related parties:

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

25. Explanations on operating segments:

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

26. Explanations on other matters:

None.

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

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

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

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27.1 Financial assets at fair value through profit or loss:

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

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

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

27.2. Held-to-maturity financial assets:

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

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

27.3. Loans and receivables:

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

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

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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

27.4. Available-for-sale financial assets:

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

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income and dividend income as appropriate.

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

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

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1.1. Information on equity:

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

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Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-		-	
Additional Tier 1 capital before regulatory adjustments	-		-	
Additional Tier 1 capital: regulatory adjustments	-			
Investments in own Additional Tier 1 instruments	-		-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	318.273	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
Total regulatory adjustments to Additional Tier 1 capital	-		-	
Total Additional Tier 1 capital	-		-	
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**34.830.358**		**26.940.535**	
TIER 2 CAPITAL				
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	7.070.650		5.865.305	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711.040		711.040	
Provisions (Article 8 of the Regulation on the Equity of Banks)[(2)]	2.522.438		2.893.299	
Tier 2 capital before regulatory adjustments	**10.304.128**		**9.469.644**	

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Tier 2 capital: regulatory adjustments				
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-		-	
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	87.791		72.789	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-		-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Total regulatory adjustments to Tier 2 capital	**87.791**		**72.789**	
Total Tier 2 capital	**10.216.337**		**9.396.855**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**45.002.936**		**36.198.441**	
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)				
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.893		3.750	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition[3]	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	38.866		135.199	
Regulatory Adjustments which will be deducted from Total Capital during the transition period				
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	45.002.936	36.198.441
Total Risk Weighted Assets	280.045.872	249.893.152
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12,44	10,91
Tier 1 Capital Adequacy Ratio (%)	12,44	10,78
Capital Adequacy Ratio (%)	16,07	14,49
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	1,900	1,261
a) Capital conservation buffer requirement (%)	1,875	1,250
b) Bank's specific countercyclical buffer requirement (%)	0,025	0,011
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,437	4,908
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.393.632	1.693.432
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	5.177.890	3.332.694
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.233.895	2.893.299
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	711.040	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.549.860	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.

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

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

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1.2. Details on Subordinated Liabilities:

	1	2	3	4
Lender (1,2), Issuer (3,4)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law
		Regulatory treatment		
Transitional Basel III rules	No	No	Yes	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.463	1.978	711	2.630
Par value of instrument	3.078	2.473	5.261	2.630
Accounting classification	Liability - Subordinated Loans-amortised cost	Liability - Subordinated Loans-amortised cost	Liability - Subordinated Loans-amortised cost	Liability - Subordinated Loans-amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years + 1 day
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
		Coupons / dividends		
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156 fixed	5,5%	8,625% 5 Year MidSwap+7,40 basis points, 8,625% coupon
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative

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	1	2	3	4
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-

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".

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1.4. Exposures subject to countercyclical capital buffer

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

Private sector receivables :

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

2. Explanations on Risk Management:

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] Includes credit risk amounts of total exposure before applying credit risk mitigations.

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

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

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

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

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

2.5 Regarding credit risk;

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

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

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2.7 Risk profile according to the geographical concentration:

	Risk Classifications 1)(2)					
	1	2	3	4	5	6
Current Period						
Domestic	97.830.947	-	144.783	-	170.475	156.548.026
EU countries	-	-	-	2.133	15.895.645	2.337.700
OECD countries (3)	-	-	-	-	730.633	1.002.214
Off-shore banking regions	-	-	-	-	50.628	1.305.144
USA, Canada	-	-	-	7.900	841.829	913.892
Other countries	-	-	-	-	197.629	1.749.569
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities (4)	-	-	-	-	-	-
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**

	Risk Classifications(1)(2)					
	1	2	3	4	5	6
Prior Period						
Domestic	82.474.544	184	217.385	-	6.657.642	132.747.258
EU countries	-	-	-	1.785	11.151.664	1.699.844
OECD countries (3)	-	-	-	-	168.087	691.967
Off-shore banking regions	-	-	-	-	743.304	65.279
USA, Canada	-	-	-	4.281	1.386.754	1.430.735
Other countries	-	-	-	-	172.298	1.026.326
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities (4)	-	-	-	-	-	-
Total	**82.474.544**	**184**	**217.385**	**6.066**	**20.279.749**	**137.661.409**

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

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

Risk Classifications [1][2]							
7	8	9	10	11	12	13	Total
77.214.539	28.250.110	3.556.045	105.662	2.567	10.614	12.589.841	376.423.609
5.004	1.611	14.814	-	-	-	-	18.256.907
651	1.524	-	73	-	-	-	1.735.095
8	-	13.294	-	-	-	-	1.369.074
548	253	14	-	-	170.522	-	1.934.958
2.265	933	6.901	-	-	-	-	1.957.297
-	-	-	-	-	5.984.654	-	5.984.654
-	-	-	-	-	-	-	-
77.223.015	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**407.661.594**

Risk Classifications [1][2]							
7	8	9	10	11	12	13	Total
81.893.315	26.639.303	2.120.135	190.328	94.843	9.365	7.970.354	341.014.656
6.002	2.291	7	2	-	-	-	12.861.595
921	1.536	-	-	-	-	-	862.511
3.690	-	8.399	-	-	-	-	820.672
932	353	-	-	-	94.713	-	2.917.768
3.337	468	28.243	-	-	-	-	1.230.672
-	-	-	-	-	4.811.867	-	4.811.867
-	-	-	-	-	-	-	-
81.908.197	**26.643.951**	**2.156.784**	**190.330**	**94.843**	**4.915.945**	**7.970.354**	**364.519.741**

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2.8 Risk profile according to sectors and counterparties:

	Risk classifications [1][2]					
	1	2	3	4	5	6
Agricultural	**-**	**-**	**3.389**	**-**	**-**	**3.857.138**
Farming and raising livestock	-	-	3.389	-	-	2.745.598
Forestry	-	-	-	-	-	855.901
Fishing	-	-	-	-	-	255.639
Manufacturing	**-**	-	**2.702**	**-**	**-**	**90.961.953**
Mining	-	-	23	-	-	2.615.873
Production	-	-	2.635	-	-	48.982.043
Electric, gas and water	-	-	44	-	-	39.364.037
Construction	**-**	-	**32**	**-**	**-**	**30.895.433**
Services	**97.830.947**	-	**138.659**	**10.033**	**17.198.046**	**37.746.884**
Wholesale and retail trade	-	-	334	-	-	5.718.622
Hotel, food and beverage services	-	-	47	-	-	4.711.139
Transportation and telecommunication	-	-	-	-	-	8.692.011
Financial institutions	97.830.947	-	34	10.033	17.198.046	7.387.110
Real estate and renting services	-	-	-	-	-	389.387
Self-employment services	-	-	-	-	-	-
Education services	-	-	928	-	-	189.421
Health and social services	-	-	137.316	-	-	10.659.194
Other	**-**	-	**1**	**-**	**688.793**	**395.137**
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**

[1] Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

[2] Includes credit risk amounts of total exposure before applying credit risk mitigations.

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

Risk classifications (1)(2)									
7	8	9	10	11	12	13	TL	FC	Total
2.833.593	**637.184**	**223.954**	**1.086**	**-**	**-**	**-**	**4.628.157**	**2.928.187**	**7.556.344**
1.896.793	456.666	194.964	891	-	-	-	3.235.879	2.062.422	5.298.301
906.891	178.349	27.004	193	-	-	-	1.330.276	638.062	1.968.338
29.909	2.169	1.986	2	-	-	-	62.002	227.703	289.705
16.472.178	**6.912.826**	**2.242.318**	**73.205**	**-**	**4.261**	**-**	**44.828.777**	**71.840.666**	**116.669.443**
441.107	267.373	174.998	126	-	-	-	1.384.903	2.114.597	3.499.500
15.701.264	6.289.699	1.037.816	7.973	-	4.261	-	36.664.598	35.361.093	72.025.691
329.807	355.754	1.029.504	65.106	-	-	-	6.779.276	34.364.976	41.144.252
6.836.310	**8.426.396**	**351.204**	**15.350**	**-**	**-**	**-**	**16.000.990**	**30.523.735**	**46.524.725**
9.061.446	**5.076.240**	**419.316**	**6.148**	**-**	**6.159.191**	**9.071.205**	**85.877.735**	**96.840.380**	**182.718.115**
4.169.173	1.028.470	182.133	3.107	-	-	-	7.731.238	3.370.601	11.101.839
1.124.239	2.422.035	92.463	415	-	-	-	2.654.113	5.696.225	8.350.338
1.772.418	478.547	69.055	1.826	-	5.000	-	3.311.348	7.707.509	11.018.857
183.511	59.774	3.973	33	-	5.047.188	9.071.205	64.168.403	72.623.451	136.791.854
54.131	5.799	26.183	4	-	-	-	305.547	169.957	475.504
-	-	-	-	-	-	-	-	-	-
147.285	44.998	1.212	22	-	-	-	340.376	43.490	383.866
1.610.689	1.036.617	44.297	741	-	1.107.003	-	7.366.710	7.229.147	14.595.857
42.019.488	**7.201.785**	**354.276**	**9.946**	**2.567**	**2.338**	**3.518.636**	**53.378.893**	**814.074**	**54.192.967**
77.223.015	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**204.714.552**	**202.947.042**	**407.661.594**

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2.9 Risk profile according to remaining maturities:

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

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

2.10 Risk balances according to risk weights:

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

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

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2.11 Information according to sectors and counterparties :

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

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

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

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

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

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

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3. Explanations on Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	251.757.093	223.580.717	20.140.567
2	Of which standardised approach (SA)	251.757.093	223.580.717	20.140.567
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	6.953.111	7.836.138	556.249
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6.953.111	7.836.138	556.249
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds - look-through approach	1.459	47.101	117
9	Equity investments in funds - mandate-based approach	-	-	-
10	Equity investments in funds - fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2.037.040	1.835.098	162.963
17	Of which standardised approach (SA)	2.037.040	1.835.098	162.963
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	19.297.169	16.594.098	1.543.773
20	Of which Basic Indicator Approach	19.297.169	16.594.098	1.543.773
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**280.045.872**	**249.893.152**	**22.403.669**

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3.2. Linkages between financial statements and risk amounts

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

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

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

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

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

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

3.2.3 Explanations of differences between accounting and regulatory exposure amounts

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

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

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

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

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

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

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

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

3.3. Explanations on Credit Risk

3.3.1 General information on credit risk

3.3.1.1 General qualitative information on credit risk

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

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

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

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

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

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

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

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

Credit Risk Management is consisting 4 sub units.

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

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

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

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

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

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

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

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

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

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

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

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3.3.1.2 Credit quality of assets

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

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

3.3.1.3 Changes in stock of defaulted loans and debt securities

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

3.3.1.4 Additional disclosure related to the credit quality of assets

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

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

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

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3.3.1.4.1 Exposures provisioned against by major regions(1)

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

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

3.3.1.4.2 Exposures provisioned against by major sectors (1)

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

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

3.3.1.4.3 Receivables according to remaining maturities(1):

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

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3.3.1.4.4 Exposures provisioned against by major sectors:

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

3.3.1.4.5 Exposures provisioned against by major regions :

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

3.3.1.4.6 Aging analysis for overdue receivables [1]

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

[1] Overdue receivables represent overdue of cash loans.

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

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

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

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

3.3.1.4.8 Informations related to expected credit losses for loans:

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

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3.3.2 Credit risk mitigation

3.3.2.1 Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

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

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

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

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

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3.3.2.2 Credit risk mitigation techniques - overview

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

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

3.3.3 Credit risk under standardised approach

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

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

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

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

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

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

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

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

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3.3.3.3 Standardised approach - exposures by asset classes and risk weights

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

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Prior Period

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

3.4 Explanation on Counterparty credit risk

3.4.1 Qualitative evaluation for Counterparty Credit Risk

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

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

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

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

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

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

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

[1] Effective expected positive exposure

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3.4.3 Credit valuation adjustment (CVA) capital charge

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

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

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

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Prior Period

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

[1] Counterparty credit risk is not included in the table.

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3.4.5 Composition of collateral for CCR exposure

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

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

3.4.6 Credit derivatives exposures

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

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3.4.7 Exposures to central counterparties

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

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1 Qualitative disclosure on market risk

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

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

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

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

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

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

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

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

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

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

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3.6.2 Market risk under standardised approach

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

3.7 Explanations on Operational Risk:

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

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

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

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3.8 Banking book interest rate risk

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

Interest rate risk has three main reasons:

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

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

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

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

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

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

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4. Explanations on currency risk

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

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

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

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

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

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Information related to financial position of the Bank

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

[1] Includes FX indexed loans amounting to TL 4.356.033 (December 31, 2017 - TL 5.895.865) which have been disclosed as TL in the financial statements.

[2] Does not include foreign currency prepaid expenses amounting to TL 289.322 (December 31, 2017 - TL 174.642).

[3] Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.

[4] Other FC column includes also gold balance.

[5] Forward transactions classified as commitments are also included.

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Currency risk sensitivity analysis:

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

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

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

[1] Excluding tax effect.

5. Explanations on interest rate risk

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

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

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

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

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

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

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

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5.2. Average interest rates for monetary financial instruments:

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

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

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

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

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

None.

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

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

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

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

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

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

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

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

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

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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.

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

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

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

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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 2017.

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

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

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

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

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

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

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Breakdown of financial liabilities according to their remaining contractual maturities:

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

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

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

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

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8. Explanations on leverage ratio:

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

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

[1] The arithmetic average of the last three months in the related periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] Non-listed share certificates amounting of TL 8.279 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2017 - TL 7.615)

[2] Includes some financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9 Financial Instruments.

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

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10. Explanations on hedge accounting:

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

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

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

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2018 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional[(1)]	Asset	Liability	Notional[(1)]	Asset	Liability
Hedging instrument						
Interest rate swap/ Cross currency interest rate swap (CFH)	46.404.018	3.169.086	611.406	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	1.860.610	-	313.994	1.393.760	-	204.859
Total	**48.264.628**	**3.169.086**	**925.400**	**36.463.812**	**1.688.395**	**312.426**

[(1)] Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 48.175.851 (December 31, 2017 - TL 36.729.813) the total notional of derivative financial assets amounting to TL 96.440.479 (December 31, 2017 - TL 73.193.625) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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

10.1. Fair value hedge accounting:

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

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

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS - 39 Financial Instruments:

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Recognition and Measurement".

The impact of application of FVH accounting is summarized below:

Current Period

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

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)[3]
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	23.425	-	204.859	19.091

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

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

[3] The ineffective portion of the mentioned hedging transaction is TL 31.652 gain (December 31, 2017- TL TL 1.439 loss).

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.

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

10.2. Cash flow hedge accounting:

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

The impact of application of CFH accounting is summarized below:

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

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

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 41.508 income (December 31, 2017 - TL 6.987 income).

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

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

10.3. Net Investment Hedge:

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

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

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

12. Explanations on operating segments:

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

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, SME banking, individual banking and private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card. Through its Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity

trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

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

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

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

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

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

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

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

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Section Five - Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

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

1.1.1 Information on cash and the account of the CBRT:

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

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

1.1.2. Information on the account of the CBRT:

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

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

[2] The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

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

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2017 - None).

1.3. Information on derivative financial assets:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	941.170	-	398.670	-
Swap transactions	3.904.322	641.773	3.051.849	415.703
Futures transactions	-	-	-	-
Options	256.107	47.662	137.137	57.859
Other	-	-	-	-
Total	**5.101.599**	**689.435**	**3.587.656**	**473.562**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	-	-	-	-
Cash flow hedges [1]	2.869.353	299.733	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.869.353**	**299.733**	**1.520.914**	**167.481**

[1] Explained in Note 8 of section 4.

1.4. Information on banks:

1.4.1 Information on banks:

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

1.4.2. Information on foreign banks account:

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

[1] OECD countries except EU countries, USA and Canada.

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

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

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

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

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

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

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

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

Information on available-for-sale financial assets:

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

[1] Includes the negative differences between the acquisition cost and the market price and the impairment provisions, if any, related to the securities portfolio.

[2] Other available-for-sale financial assets consist of investment funds.

1.7. Explanations on loans:

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

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

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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:

		Loans under close monitoring		
			Loans under restructuring	
Cash Loans	Standard loans	Not under the scope of restructuring	Modifications on agreement conditions	Refinancing
Non-specialized loans	**180.049.869**	**27.998.313**	**1.954.931**	**2.552.495**
Loans given to enterprises	87.335.224	23.013.463	1.719.198	439.522
Export loans	9.302.402	493.536	56.757	21.203
Import loans	-	-	-	-
Loans given to financial sector	3.853.240	-	-	-
Consumer loans	30.591.808	1.324.026	17.800	597.628
Credit cards	26.266.314	1.179.211	-	497.668
Other[1]	22.700.881	1.988.077	161.176	996.474
Specialized loans	**-**	**-**	**-**	**-**
Other receivables	**95.337**	**-**	**-**	**-**
Total	**180.145.206**	**27.998.313**	**1.954.931**	

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

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

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

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

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1.7.3. Loans according to their maturity structure:

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

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

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

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

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1.7.4.2. Specific provisions provided against loans:

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

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

1.7.4.3. Fair value of collaterals:

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

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

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

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

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

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

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

1.7.7. Distribution of by users:

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

1.7.8. Distribution of domestic and foreign loans:

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

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

1.7.9. Loans granted to associates and subsidiaries:

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

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

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

Specific provisions provided against loans:

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

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

1.7.11.1 Information on restructured loans from non-performing loans:

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.7.13. Explanation on "Write-off" policies:

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

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

1.8. Information on financial assets at amortized cost:

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

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

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

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

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

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

Information on investment securities held-to-maturity:

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

1.8.3. Information on financial assets measured at amortized cost:

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

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

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Information on held-to-maturity investments

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

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

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

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

(1) Also includes the changes in the interest income accruals.

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

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

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

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

(1) Also includes the changes in the interest income accruals.

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

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu(1)	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.(1)	Istanbul/Turkey	9,98	9,98

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

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1	19.434.759	2.731.457	20.827	379.913	87.904	153.142	113.033	-
2	310.511	204.375	181.219	10.965	-	34.818	36.919	-
3	102.191	64.697	48.891	2.117	-	15.603	6.983	-

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

1.9.3. Movement of unconsolidated investments in associates:

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

(1) Includes the differences in the other comprehensive income related with the equity method accounting.

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

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

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

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

None (December 31, 2017 - None).

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

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

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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 Nederland N.V.
Core capital					
Paid in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	93.423	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	44.291	(1.385)	(2.143)	(936)	-
Other accumulated comprehensive income that will be classified in profit or loss	39	-	-	-	1.310.466
Legal reserves	66.052	8.034	79.305	25.420	-
Extraordinary reserves	225.863	39.717	659.399	-	634.531
Other profit Reserves	-	-	-	-	-
Income or Loss	30.306	199.981	1.275.987	36.014	155.325
Current Year Income/Loss	100.252	98.223	331.168	36.014	155.325
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	29.014	3.353	8.769	609	675
Total core capital	**529.528**	**303.457**	**2.176.603**	**65.364**	**2.211.827**
Supplementary capital	**22.996**	**10.010**	**69.902**	**-**	**65.434**
Capital	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**

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

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

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

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

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

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1.10.2. Information on subsidiaries:

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

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

Financial statement information disclosed consolidated financial statements results.

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

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1.10.4. Movement schedule of subsidiaries:

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

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

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

[3] Includes dividend income received in the current period.

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

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

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2017 - None).

1.11. Information on joint ventures (net):

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

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

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1.12. Information on lease receivables (net):

None (December 31, 2017 - None).

1.13. Information on tangible assets:

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

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

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

1.14. Information on intangible assets:

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

1.15. Information on investment property:

None (December 31, 2017 - None).

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1.16. Information on deferred tax asset :

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

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

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

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

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

1.18. Information on other assets:

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

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2. Explanations and notes related to liabilities

2.1. Information on deposits:

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

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

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

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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:

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

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	9.744	6.993
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	284.591	164.155
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	143.108	-	147.794	-
Swap transactions	5.140.123	774.199	3.263.154	219.065
Futures transactions	-	-	-	-
Options	248.837	49.638	144.714	63.177
Other	-	-	-	-
Total	**5.532.068**	**823.837**	**3.555.662**	**282.242**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	313.994	-	204.859	-
Cash flow hedges [1]	542.895	68.511	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	**856.889**	**68.511**	**300.046**	**12.380**

[1] Explained in Note 8 of section 4

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

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

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

2.3.2. Information on maturity structure of borrowings:

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

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

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2.3.3. Information on securitization borrowings:

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

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

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

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

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

2.3.4. Information on marketable securities issued:

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

2.4. Information on other liabilities:

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

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

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

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2.5.2. Information on operational leasing agreements:

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

2.6. Information on provisions:

2.6.1. Information on general provisions:

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

2.6.2. Information on reserve for employee rights:

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

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

	Current Period	Prior Period
Discount rate (%)	5,65	4,95
Possibility of being eligible for retirement (%)	94,45	93,79

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

Movement of employment termination benefits liability in the balance sheet:

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

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

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

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

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2.6.4. Other provisions:

2.6.4.1. Information on other provisions:

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

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

2.6.5. Pension fund provision:

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

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

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

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

The principal actuarial assumptions used were as follows:

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

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

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Plan assets are comprised as follows:

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

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

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

2.7.2. Information on premium payables:

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

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

None (December 31, 2017 - None).

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2.9. Information on subordinated debt[1]:

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

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

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

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

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

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

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

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

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

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

None (December 31, 2017 - None).

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

None (December 31, 2017 - None).

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

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

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2.10.7. Privileges on the corporate stock:

None (December 31, 2017 - None).

2.10.8. Information on marketable securities value increase fund:

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

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

[1] Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.

[2] Includes tax effect related to foreign currency valuation differences in TL column.

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

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

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

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

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

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

	Current Period	Prior Period
Bank acceptance loans	200.915	212.685
Letter of credits	10.716.784	10.944.238
Other guarantees and collaterals	7.923.230	6.811.093
Total	**18.840.929**	**17.968.016**

3.1.2.2. Guarantees, suretyships and other similar transactions:

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

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

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

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

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

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

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

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

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3.1.3.4. Maturity distribution of non cash loans:

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

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

[1] The distribution is based on the original maturities.

3.2 Information on derivative financial instruments:

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

3.3 Information on credit derivatives and risk exposures:

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

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

3.4 Information on contingent liabilities and assets:

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

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

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

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

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

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

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	345.015	-	110.329	16
From domestic banks	144.231	2.685	46.902	755
From foreign banks	2.911	126.875	2.478	27.796
Headquarters and branches abroad	-	-	-	-
Total	**492.157**	**129.560**	**159.709**	**28.567**

4.1.3. Information on interest income on marketable securities:

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

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

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

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

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

[1] Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

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

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	522.371	867.667	233.658	489.819
Total	**522.371**	**867.667**	**233.658**	**489.819**

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4.2.4. Maturity structure of the interest expense on deposits:

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

4.3. Information on dividend income:

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

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

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

4.5. Information on derivatives financial transaction gain/loss:

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

4.6. Information on other operating income:

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

4.7. Allowance for expected credit losses:

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

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Provision for impairment of loans and other receivables:

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

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

4.8. Information related to other operating expenses:

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

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

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

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

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

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

As of December 31, 2018, the Bank has TL 791.064 (December 31, 2017 - TL 1.010.325) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 397.001 (December 31, 2017 - TL 150.992 deferred tax income).

Total provision for taxes on income for the current period and the previous period:

	Current Period	Prior Period
Profit before tax	5.855.491	4.473.414
Tax calculated at rate of 20%	1.288.208	911.757
Nondeductible expenses, discounts and other, net	(100.143)	(52.424)
Total	**1.188.065**	**859.333**

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

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

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

4.12. Other items in income statement:

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

5. Explanations and notes related to statement of changes in shareholders' equity

5.1 Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2 Information on increase/decrease amounts resulting from merger:

None.

5.3 Information on equity share premiums :

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4 Explanations on property and equipment valuation differences:

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2018, revaluation gain under shareholders' equity is amounting to TL 1.845.522 (31 December 2017 - TL 1.360.019).

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5.5 Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2018 actuarial loss under shareholders' equity are amounting to TL 218.070 (31 December 2018 - TL 178.038).

5.6 Explanations on joint ventures accounted for using equity method:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively.

5.7 Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.8 Hedging transactions :

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2018 is TL 1.743.304 profit (December 31, 2017 - 836.691 profit).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2018 is EUR 430 million. (31 December 2017 is EUR 410 million) The foreign exchange loss of TL 943.970 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.(31 December 2017-461.466 TL loss)

5.9 Information on share issue premium:

Explained in details in Note 19 of Section Three.

6. Explanations and notes related to statement of cash flows:

6.1 Information on cash and cash equivalents:

6.1.1 Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2 Effect of a change in the accounting policies:

None.

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6.1.3 Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1 Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**14.430.478**	**11.713.170**
Cash and effectives	2.495.919	2.656.507
Demand deposits in banks	11.934.559	9.056.663
Cash equivalents	**7.159.223**	**2.244.649**
Interbank money market	816.790	-
Time deposits in banks	6.342.433	2.244.649
Total cash and cash equivalents	**21.589.701**	**13.957.819**

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**35.514.149**	**14.430.478**
Cash and effectives	4.784.015	2.495.919
Demand deposits in banks	30.730.134	11.934.559
Cash equivalents	**7.307.598**	**7.159.223**
Interbank money market	112.773	816.790
Time deposits in banks	7.194.825	6.342.433
Total cash and cash equivalents	**42.821.747**	**21.589.701**

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 43.834.106 (December 31, 2017 - TL 34.613.762) in CBRT represent the reserve requirements of the Bank.

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other Account" amounting to TL 274.587 as of December 31, 2018 (December 31, 2017 - TL 2.291.765 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Decrease in "Net increase/decrease in other liabilities" amounting to TL 19.219 as of December 31, 2018 (December 31, 2017 - TL 1.549.396 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 14.526.803 as of December 31, 2018 (December 31, 2017 - TL 1.211.207 increase).

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

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

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

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [1][2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Balance at the end of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Interest and commission income received	**97.870**	**2.712**	**25.542**	**8.202**	**447.345**	**24.320**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [1][2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Balance at the end of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Interest and commission income received	**58.148**	**1.689**	**9.517**	**7.893**	**264.703**	**12.077**

[1] Defined in subsection 2 of the 49th article of the Banking Act No.5411.

[2] The information in table above includes marketable securities and due from banks as well as loans.

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

Bank's risk group [1][2]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	3.193.655	4.074.057	23.274.293	19.715.780	17.865.257	13.596.912
End of the period	2.798.132	3.193.655	32.464.212	23.274.293	21.548.350	17.865.257
Interest expense on deposits	**272.047**	**176.824**	**2.280.419**	**1.339.521**	**1.037.526**	**719.527**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

[2] The information in table above includes borrowings, financial liabilities fair value through profit and loss, marketable securities issued and repo transactions as well as deposits

Yapı ve Kredi Bankası A.Ş.
Notes to Unconsolidated Financial Statements
As of December 31, 2018

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

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

Bank's risk group[1]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss						
Beginning of the period[2]	6.825.457	3.305.854	4.585.782	8.532.884	3.688.054	802.512
End of the period [2]	4.977.495	6.825.457	3.330.535	4.585.782	983.564	3.688.054
Total profit / (loss)	**(56.121)**	**(75.512)**	**(473.269)**	**(16.232)**	**(592.874)**	**(60.696)**
Transactions for hedging purposes						
Beginning of the period [2]	-	-	1.375.186	-	-	-
End of the period [2]	-	-	1.456.586	1.375.186	-	-
Total profit / (loss)	**-**	**-**	**106.586**	**25.186**	**-**	**-**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

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

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

Salaries and benefits paid to the Bank's top management amount to TL 57.091 as of December 31, 2018 (December 31, 2017 - TL 67.790).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch	853	17.574			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total asset	Statutory share capital
Foreign Branch	1	3	Bahrain	12.148.109	-
Off-Shore Banking Region Branch			-	-	-

Yapı ve Kredi Bankası A.Ş.
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

9. Explanations and notes related to subsequent events:

- On January 15, 2019, the Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.
- On January 16, 2019, the Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

Section Six-Other Explanations and Notes

1. Other explanations on the Bank's operations

None.

Section Seven - Explanations on independent audit report

1. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, February 1, 2019 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

Yapı ve Kredi Bankası A.Ş.

Publicly Announced Consolidated Financial Statements and Related Disclosures at December 31, 2018 together with Auditor's Review Report

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

Convenience translation into english of Independent auditor's report Originally issued in turkish (See note I of section three)

Independent Audıtor's Report

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

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

Independent Audıtor's Report

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans The Group has total expected credit losses for loans amounting to TL 14.531.568 thousand in respect to total loans amounting to TL 249.499.524 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2018. Explanations and notes related to expected credit losses for loans are presented Section Three Part 7, Section Four Part 2, Section Five Part 1.7 in the accompanying consolidated financial statements as at 31 December 2018. As of 1 January 2018, the Group started to recognize provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of credit identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying consolidated financial statements and default event disclosed in Section Four Part 2 in the accompanying consolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate. **Expected credit losses for loans (Continued)** The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Group for staging of loans and calculation of the provision amount. For forward looking assumptions by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following: - We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis - For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations. - We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. - We checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. - We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. - We checked accuracy of resultant expected credit losses calculations. - To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. - We assessed accuracy and completeness of the disclosures in the financial statements the Group presented in relation to expected credit losses.

Key Audit Matters	*How the key audit matter was addressed in the audit*

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

Independent Audıtor's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Halûk Yalçın, SMMM
Partner

İstanbul, 1 February 2019

Yapı ve Kredi Bankası A.Ş.
The Consolıdated Year End Fınancıal Report
As of December 31, 2018

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

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

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

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

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

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

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

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

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

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

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Section One

General Information

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

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

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

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

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

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

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

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

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

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

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

Board of Directors Members:

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

Audit Committee Members:

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

General Manager and Deputy General Manager:

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

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Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Albert ANGERSBACH	Risk Management
Arif Özer İSFENDİYAROĞLU(1)	Retail Banking Sales Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Hakan ALP	Human Resources and Organization Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

(1) Arif Özer İsfendiyaroğlu was appointed as Assistant General Manager in charge of Private Banking and Wealth Management as of December 11, 2018.

4. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	6.918.131.285,23	81,90	6.918.131.285,23	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2018, the Parent Bank has 853 branches operating in Turkey and 1 branch in overseas (December 31, 2017 - 865 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2018, the Parent Bank has 17.577 employees (December 31, 2017 - 17.944 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2018 the Group has 18.448 employees (December 31, 2017 - 18.839 employees).

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

Yapı ve Kredi Bankası A.Ş.
Consolidated Financial Statements
As of December 31, 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

			Current Period (31/12/2018)		
	Assets	Note (Section five)	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		60.908.822	60.155.450	121.064.272
1.1	Cash and cash equilvalents	1.1	17.099.244	45.118.858	62.218.102
1.1.1	Cash and balances at Central Bank		16.756.471	40.074.837	56.831.308
1.1.2	Banks	1.4	237.598	5.031.965	5.269.563
1.1.3	Receivables from Money Markets		105.175	12.056	117.231
1.2	Financial assets at fair value through profit or loss	1.2	26.978	221.178	248.156
1.2.1	Public debt securities		17.686	50.656	68.342
1.2.2	Equity instruments		6.640	170.522	177.162
1.2.3	Other financial assets		2.652	-	2.652
1.3	Financial assets at fair value through other comprehensive income	1.5,1.6	22.906.333	4.033.208	26.939.541
1.3.1	Public debt securities		22.814.906	2.173.404	24.988.310
1.3.2	Equity instruments		64.144	2.650	66.794
1.3.3	Other financial assets		27.283	1.857.154	1.884.437
1.4	Financial assets measured at amortised cost	1.8	12.967.307	9.838.372	22.805.679
1.4.1	Public debt securities		12.967.307	9.077.343	22.044.650
1.4.2	Other financial assets		-	761.029	761.029
1.5	Derivative financial assets	1.3	7.975.297	1.092.687	9.067.984
1.5.1	Derivative financial assets at fair value through profit or loss	1.3.1,2	5.105.944	792.954	5.898.898
1.5.2	Derivative financial assets at fair value through other comprehensive income	1.3.2	2.869.353	299.733	3.169.086
1.6	Non-performing financial assets		-	77	77
1.7	Allowance for expected credit losses (-)		66.337	148.930	215.267
II.	LOANS (Net)	1.7	127.880.228	107.087.728	234.967.956
2.1	Loans		121.616.780	98.932.043	220.548.823
2.1.1	Loans measured at amortised cost		121.616.780	98.932.043	220.548.823
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	Receivables from leasing transactions	1.12	2.233.359	9.998.120	12.231.479
2.2.1	Finance lease receivables		2.871.280	11.450.708	14.321.988
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		637.921	1.452.588	2.090.509
2.3	Factoring receivables		1.803.367	1.615.493	3.418.860
2.3.1	Factoring receivables measured at amortised cost		1.803.367	1.615.493	3.418.860
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	Non-performing loans	1.7.11	13.016.677	283.685	13.300.362
2.5	Allowance for expected credit losses (-)		10.789.955	3.741.613	14.531.568
2.5.1	.12-Month expected credit losses (Stage 1)		709.174	608.200	1.317.374
2.5.2	Significant increase in credit risk (Stage 2)		697.788	2.944.253	3.642.041
2.5.3	Credit-Impaired (Stage 3)	1.7.10	9.382.993	189.160	9.572.153
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	1.17	289.796	8.674	298.470
3.1	Held for sale		289.796	8.674	298.470
3.2	Held from discontinued operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		297.293	784.140	1.081.433
4.1	Investments in associates (Net)	1.9	268.828	784.140	1.052.968
4.1.1	Associates accounted by using equity method		262.727	784.140	1.046.867
4.1.2	Non-consolidated associates		6.101	-	6.101
4.2	Investments in subsidiaries (Net)	1.10	7.300	-	7.300
4.2.1	Non-consolidated financial subsidiaries		-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		7.300	-	7.300
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	1.11	21.165	-	21.165
4.3.1	Jointly controlled partnerships accounted by using equity method		21.165	-	21.165
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
V.	TANGIBLE ASSETS (Net)		3.293.383	18.792	3.312.175
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)		1.791.184	25.928	1.817.112
6.1	Goodwill		979.493	-	979.493
6.2	Other		811.691	25.928	837.619
VII.	INVESTMENT PROPERTIES (Net)	1.15	-	-	-
VIII.	CURRENT TAX ASSETS		5.851	3.653	9.504
IX.	DEFERRED TAX ASSETS	1.16	712.891	-	712.891
X.	OTHER ASSETS	1.18	3.393.959	6.718.482	10.112.441
	TOTAL ASSETS		198.573.407	174.802.847	373.376.254

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.
Consolidated Financial Statements
As of December 31, 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Consolidated balance sheet (Statement of Financial Position)

			Prior Period (31/12/2017)		
	Assets	Note (Section Five)	TL	FC	Total
I.	**Cash and balances with Central Bank**	1.1	**7.595.701**	**34.856.269**	**42.451.970**
II.	**Financial assets at fair value through profit or (loss) (net)**	1.2	**3.681.893**	**548.187**	**4.230.080**
2.1	Trading financial assets		3.681.893	548.187	4.230.080
2.1.1	Government debt securities		26.584	30.396	56.980
2.1.2	Share certificates		38.442	-	38.442
2.1.3	Derivative financial assets held for trading	1.3	3.609.726	517.791	4.127.517
2.1.4	Other marketable securities		7.141	-	7.141
2.2	Financial assets designated at fair value through profit /(loss)		-	-	-
2.2.1	Government debt securities		-	-	-
2.2.2	Share certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	**Banks**	1.4	**81.883**	**4.755.329**	**4.837.212**
IV.	**Money markets**		**4.215**	**812.790**	**817.005**
4.1	Interbank money market placements		-	812.790	812.790
4.2	Receivables from Istanbul Stock Exchange Money Market		4.097	-	4.097
4.3	Receivables from reverse repurchase agreements		118	-	118
V.	**Financial assets available-for-sale (net)**	1.5,6	**21.300.288**	**3.196.236**	**24.496.524**
5.1	Share certificates		61.114	96.693	157.807
5.2	Government debt securities		20.856.199	1.631.451	22.487.650
5.3	Other marketable securities		382.975	1.468.092	1.851.067
VI.	**Loans and receivables**	1.7	**128.114.248**	**73.884.539**	**201.998.787**
6.1	Loans and receivables		126.036.381	73.837.686	199.874.067
6.1.1	Loans to bank's risk group		1.696.954	970.762	2.667.716
6.1.2	Government debt securities		-	-	-
6.1.3	Other		124.339.427	72.866.924	197.206.351
6.2	Loans under follow-up		9.024.397	139.187	9.163.584
6.3	Specific provisions (-)		(6.946.530)	(92.334)	(7.038.864)
VII.	**Factoring receivables**		**1.812.219**	**2.030.948**	**3.843.167**
VIII.	**Held-to-maturity investments (net)**	1.8	**6.771.736**	**7.425.330**	**14.197.066**
8.1	Government debt securities		6.771.736	6.574.845	13.346.581
8.2	Other marketable securities		-	850.485	850.485
IX.	**Investments in associates (net)**	1.9	**247.144**	**529.384**	**776.528**
9.1	Consolidated based on equity method		242.641	529.384	772.025
9.2	Unconsolidated		4.503	-	4.503
9.2.1	Investments in financial associates		-	-	-
9.2.2	Investments in non-financial associates		4.503	-	4.503
X.	**Subsidiaries (net)**	1.10	**7.300**	**-**	**7.300**
10.1	Unconsolidated financial subsidiaries		-	-	-
10.2	Unconsolidated non-financial subsidiaries		7.300	-	7.300
XI.	**Joint ventures (net)**	1.11	**18.386**	**-**	**18.386**
11.1	Accounted based on equity method		18.386	-	18.386
11.2	Unconsolidated		-	-	-
11.2.1	Financial joint ventures		-	-	-
11.2.2	Non-financial joint ventures		-	-	-
XII.	**Lease receivables**	1.12	**2.181.856**	**8.129.868**	**10.311.724**
12.1	Financial lease receivables		2.767.260	9.419.554	12.186.814
12.2	Operating lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		(585.404)	(1.289.686)	(1.875.090)
XIII.	**Derivative financial assets held for hedging**		**1.587.942**	**168.669**	**1.756.611**
13.1	Fair value hedge		67.028	1.188	68.216
13.2	Cash flow hedge		1.520.914	167.481	1.688.395
13.3	Foreign net investment hedge		-	-	-
XIV.	**Property and equipment (net)**		**2.596.539**	**15.310**	**2.611.849**
XV.	**Intangible assets (net)**		**1.663.441**	**18.785**	**1.682.226**
15.1	Goodwill		979.493	-	979.493
15.2	Other		683.948	18.785	702.733
XVI.	**Investment property (net)**	1.13	**-**	**-**	**-**
XVII.	**Tax asset**		**68.080**	**-**	**68.080**
17.1	Current tax asset		14.766	-	14.766
17.2	Deferred tax asset	1.14	53.314	-	53.314
XVIII.	**Assets held for resale and related to discontinued operations (net)**	1.15	**204.048**	**5.806**	**209.854**
18.1	Held for sale purposes		204.048	5.806	209.854
18.2	Related to discontinued operations		-	-	-
XIX.	**Other assets**	1.16	**2.467.613**	**3.284.136**	**5.751.749**
	Total assets		**180.404.532**	**139.661.586**	**320.066.118**

The accompanying explanations and notes form an integral part of these financial statements.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

1. Consolidated balance sheet (Statement of Financial Position)

	Liabilities	Note (Section Five)	Current Period (31/12/2018) TL	FC	Total
I.	DEPOSITS	2.1	92.742.975	117.548.498	210.291.473
II.	LOANS RECEIVED	2.3.1	1.329.596	45.742.406	47.072.002
III.	MONEY MARKET FUNDS		2.205.920	1.314.293	3.520.213
IV.	MARKETABLE SECURITIES ISSUED (Net)	2.3.3	3.900.361	17.541.842	21.442.203
4.1	Bills		1.373.498	-	1.373.498
4.2	Asset backed securities		-	3.835.712	3.835.712
4.3	Bonds		2.526.863	13.706.130	16.232.993
V.	FUNDS		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2.3.4	330.910	7.634.494	7.965.404
VII.	DERIVATIVE FINANCIAL LIABILITIES	2.2	6.383.398	904.351	7.287.749
7.1	Derivative financial liabilities at fair value through profit or loss		5.840.503	835.840	6.676.343
7.2	Derivative financial liabilities at fair value through other comprehensive income		542.895	68.511	611.406
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	2.5	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables	2.5.2	-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS	2.6	3.114.494	344.691	3.459.185
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits	2.6.2	680.071	2.197	682.268
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions	2.6.4	2.434.423	342.494	2.776.917
XI.	CURRENT TAX LIABILITIES	2.7	1.121.246	1.186	1.122.432
XII.	DEFERRED TAX LIABILITIES		2.401	8.265	10.666
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT	2.9	-	13.557.153	13.557.153
14.1	Loans		-	5.574.724	5.574.724
14.2	Other debt instruments		-	7.982.429	7.982.429
XV.	OTHER LIABILITIES	2.4	15.046.590	3.593.906	18.640.496
XVI.	SHAREHOLDERS` EQUITY	2.10	39.109.703	(102.425)	39.007.278
16.1	Paid-in capital		8.447.051	-	8.447.051
16.2	Capital reserves		1.985.153	-	1.985.153
16.2.1	Equity share premiums		556.937	-	556.937
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		1.428.216	-	1.428.216
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1.661.712	7.315	1.669.027
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		871.298	(68.333)	802.965
16.5	Profit reserves		19.836.498	(41.407)	19.795.091
16.5.1	Legal reserves		869.410	-	869.410
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		18.959.274	(41.407)	18.917.867
16.5.4	Other profit reserves		7.814	-	7.814
16.6	Profit or loss		6.307.380	-	6.307.380
16.6.1	Prior years' profits or losses		1.639.954	-	1.639.954
16.6.2	Current period net profit or loss		4.667.426	-	4.667.426
16.7	Minority interest		611	-	611
	TOTAL LIABILITIES		165.287.594	208.088.660	373.376.254

The accompanying explanations and notes form an integral part of these financial statements.

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Consolidated Financial Statements
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Consolidated balance sheet (Statement of Financial Position)

			Prior Period (31/12/2017)		
	Liabilities	Note (Section Five)	TL	FC	Total
I.	**Deposits**	2.1	75.881.343	97.502.290	173.383.633
1.1	Deposits of the Bank's risk group		7.462.541	16.486.429	23.948.970
1.2	Other		68.418.802	81.015.861	149.434.663
II.	**Derivative financial liabilities held for trading**	2.2	3.537.677	283.028	3.820.705
III.	**Funds borrowed**		2.292.830	40.057.223	42.350.053
IV.	**Money markets**		15.433.064	623.076	16.056.140
4.1	Funds from interbank money market		3.703.931	-	3.703.931
4.2	Funds from Istanbul stock exchange money market		2.925.828	-	2.925.828
4.3	Funds provided under repurchase agreements		8.803.305	623.076	9.426.381
V.	**Marketable securities issued (net)**	2.3.3	4.796.710	18.481.161	23.277.871
5.1	Bills		1.212.509	107.682	1.320.191
5.2	Asset backed securities		-	8.278.912	8.278.912
5.3	Bonds		3.584.201	10.094.567	13.678.768
VI.	**Funds**		-	-	-
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**Miscellaneous payables**		10.462.397	2.291.832	12.754.229
VIII.	**Other liabilities**	2.4	1.386.759	555.067	1.941.826
IX.	**Factoring payables**		-	-	-
X.	**Lease payables**	2.5	-	-	-
10.1	Financial lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred lease expenses (-)		-	-	-
XI.	**Derivative financial liabilities held for hedging**		300.335	12.443	312.778
11.1	Fair value hedge		205.148	63	205.211
11.2	Cash flow hedge		95.187	12.380	107.567
11.3	Foreign net investment hedge		-	-	-
XII.	**Provisions**	2.6	4.137.465	1.345.038	5.482.503
12.1	General loan loss provision		2.162.793	1.248.012	3.410.805
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee rights		581.606	2.773	584.379
12.4	Insurance technical provisions (net)		-	-	-
12.5	Other provisions	2.6.4	1.393.066	94.253	1.487.319
XIII.	**Tax liability**	2.7	846.595	19.155	865.750
13.1	Current tax liability		628.470	12.002	640.472
13.2	Deferred tax liability	2.7.3	218.125	7.153	225.278
XIV.	**Liabilities for property and equipment held for sale and related to discontinued operations (net)**	2.8	-	-	-
14.1	Held for sale		-	-	-
14.2	Related to discontinued operations		-	-	-
XV.	**Subordinated loans**	2.9	-	9.718.804	9.718.804
XVI.	**Shareholders' equity**	2.10	29.873.141	228.685	30.101.826
16.1	Paid-in capital		4.347.051	-	4.347.051
16.2	Capital reserves		2.574.496	228.685	2.803.181
16.2.1	Share premium		543.881	-	543.881
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities valuation differences		(445.780)	60.864	(384.916)
16.2.4	Property and equipment revaluation differences		1.373.713	7.315	1.381.028
16.2.5	Intangible assets revaluation differences		-	-	-
16.2.6	Revaluation differences of investment property		-	-	-
16.2.7	Bonus shares from investments in associates, subsidiaries and joint ventures		5.667	-	5.667
16.2.8	Hedging funds (effective portion)		(42.581)	160.506	117.925
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-
16.2.10	Other capital reserves		1.139.596	-	1.139.596
16.3	Profit reserves		17.697.018	-	17.697.018
16.3.1	Legal reserves		869.410	-	869.410
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		15.675.023	-	15.675.023
16.3.4	Other profit reserves		1.152.585	-	1.152.585
16.4	Income or (loss)		5.254.035	-	5.254.035
16.4.1	Prior years' income or (loss)		1.639.954	-	1.639.954
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081
16.5	Minority interest		541	-	541
	Total liabilities and shareholders' equity		148.948.316	171.117.802	320.066.118

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2. Consolidated off-balance sheet commitments

		Note (Section Five)	Current Period (31/12/2018)			Prior Period (31/12/2017)		
			TL	FC	Total	TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**216.053.385**	**358.751.820**	**574.805.205**	**296.244.062**	**392.441.545**	**688.685.607**
I.	**Guarantees and warranties**	**3.1.2,3**	**26.281.959**	**59.503.230**	**85.785.189**	**26.495.214**	**52.356.201**	**78.851.415**
1.1	Letters of guarantee	3.1.2.2	26.111.200	40.357.031	66.468.231	26.441.208	33.858.543	60.299.751
1.1.1	Guarantees subject to state tender law		562.791	1.240.942	1.803.733	791.090	1.168.552	1.959.642
1.1.2	Guarantees given for foreign trade operations		3.768.512	38.962.053	42.730.565	3.381.312	32.588.518	35.969.830
1.1.3	Other letters of guarantee		21.779.897	154.036	21.933.933	22.268.806	101.473	22.370.279
1.2	Bank acceptances		-	200.915	200.915	-	212.685	212.685
1.2.1	Import letter of acceptance		-	200.915	200.915	-	212.685	212.685
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		152.733	11.040.080	11.192.813	20.000	11.507.886	11.527.886
1.3.1	Documentary letters of credit		152.733	11.039.517	11.192.250	20.000	11.507.373	11.527.373
1.3.2	Other letters of credit		-	563	563	-	513	513
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		18.026	3.997.024	4.015.050	34.006	2.421.805	2.455.811
1.9	Other warranties		-	3.908.180	3.908.180	-	4.355.282	4.355.282
II.	**Commitments**	**3.1.1**	**57.594.918**	**27.612.945**	**85.207.863**	**93.480.873**	**92.506.787**	**185.987.660**
2.1	Irrevocable commitments		56.759.355	9.049.492	65.808.847	92.020.358	42.021.703	134.042.061
2.1.1	Asset purchase and sale commitments		1.969.620	6.371.281	8.340.901	36.662.381	40.236.824	76.899.205
2.1.2	Deposit purchase and sales commitments		-	-	-	29.564	762.402	791.966
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		10.167.781	2.192.840	12.360.621	9.349.555	775.480	10.125.035
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheques		2.990.824	-	2.990.824	6.844.741	-	6.844.741
2.1.8	Tax and fund liabilities from export commitments		4.551	-	4.551	7.297	-	7.297
2.1.9	Commitments for credit card limits		35.189.895	-	35.189.895	33.700.364	-	33.700.364
2.1.10	Commitments for credit cards and banking services promotions		27.510	-	27.510	18.322	-	18.322
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.409.174	485.371	6.894.545	5.408.134	246.997	5.655.131
2.2	Revocable commitments		835.563	18.563.453	19.399.016	1.460.515	50.485.084	51.945.599
2.2.1	Revocable loan granting commitments		835.563	18.472.473	19.308.036	1.460.515	50.417.185	51.877.700
2.2.2	Other revocable commitments		-	90.980	90.980	-	67.899	67.899
III.	**Derivative financial instruments**		**132.176.508**	**271.635.645**	**403.812.153**	**176.267.975**	**247.578.557**	**423.846.532**
3.1	Derivative financial instruments for hedging purposes		48.681.680	48.579.047	97.260.727	42.981.037	30.901.265	73.882.302
3.1.1	Transactions for fair value hedge		549.020	3.717.204	4.266.224	491.387	2.804.166	3.295.553
3.1.2	Transactions for cash flow hedge		48.132.660	44.861.843	92.994.503	42.489.650	28.097.099	70.586.749
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		83.494.828	223.056.598	306.551.426	133.286.938	216.677.292	349.964.230
3.2.1	Forward foreign currency buy/sell transactions		8.163.952	11.115.016	19.278.968	11.622.183	15.192.560	26.814.743
3.2.1.1	Forward foreign currency transactions-buy		3.862.433	6.037.224	9.899.657	4.545.311	8.808.854	13.354.165
3.2.1.2	Forward foreign currency transactions-sell		4.301.519	5.077.792	9.379.311	7.076.872	6.383.706	13.460.578
3.2.2	Swap transactions related to foreign currency and interest rates		69.476.428	175.834.744	245.311.172	105.854.508	169.948.833	275.803.341

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2. Consolidated off-balance sheet commitments

		Note (Section Five)	Current Period (31/12/2018)			Prior Period (31/12/2017)		
			TL	FC	Total	TL	FC	Total
3.2.2.1	Foreign currency swap-buy		15.933.191	63.810.780	79.743.971	21.536.219	88.609.675	110.145.894
3.2.2.2	Foreign currency swap-sell		46.261.237	35.319.820	81.581.057	79.188.289	32.339.368	111.527.657
3.2.2.3	Interest rate swap-buy		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.2.4	Interest rate swap-sell		3.641.000	38.352.072	41.993.072	2.565.000	24.499.895	27.064.895
3.2.3	Foreign currency, interest rate and securities options		5.034.420	12.244.720	17.279.140	9.678.309	16.400.673	26.078.982
3.2.3.1	Foreign currency options-buy		1.735.423	5.022.695	6.758.118	3.910.315	7.906.039	11.816.354
3.2.3.2	Foreign currency options-sell		2.998.997	3.709.657	6.708.654	5.467.994	6.672.990	12.140.984
3.2.3.3	Interest rate options-buy		150.000	2.325.046	2.475.046	-	1.058.039	1.058.039
3.2.3.4	Interest rate options-sell		150.000	1.187.322	1.337.322	300.000	763.605	1.063.605
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		820.028	23.862.118	24.682.146	6.131.938	15.135.226	21.267.164
B.	**Custody and pledges received (IV+V+VI)**		**3.150.512.497**	**658.025.444**	**3.808.537.941**	**644.580.477**	**284.931.511**	**929.511.988**
IV.	**Items held in custody**		**363.119.243**	**531.619.754**	**894.738.997**	**359.521.535**	**192.501.757**	**552.023.292**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		339.110.318	530.965.211	870.075.529	337.338.561	191.854.708	529.193.269
4.3	Checks received for collection		18.335.720	63.956	18.399.676	17.339.675	93.109	17.432.784
4.4	Commercial notes received for collection		5.615.061	510.019	6.125.080	4.785.155	494.096	5.279.251
4.5	Other assets received for collection		-	64.289	64.289	-	47.846	47.846
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	16.279	74.423	58.144	11.998	70.142
4.8	Custodians		-	-	-	-	-	-
V.	**Pledges received**		**2.767.738.690**	**116.528.747**	**2.884.267.437**	**271.152.739**	**91.536.890**	**362.689.629**
5.1	Marketable securities		249.891	583	250.474	193.385	418	193.803
5.2	Guarantee notes		1.144.853	317.023	1.461.876	930.316	272.363	1.202.679
5.3	Commodity		17.430	-	17.430	23.010	-	23.010
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		2.589.950.921	93.382.777	2.683.333.698	119.604.456	71.034.836	190.639.292
5.6	Other pledged items		176.375.595	22.818.924	199.194.519	150.401.572	20.222.475	170.624.047
5.7	Pledged items-depository		-	9.440	9.440	-	6.798	6.798
VI.	**Accepted independent guarantees and warranties**		**19.654.564**	**9.876.943**	**29.531.507**	**13.906.203**	**892.864**	**14.799.067**
	Total off-balance sheet commitments (A+B)		**3.366.565.882**	**1.016.777.264**	**4.383.343.146**	**940.824.539**	**677.373.056**	**1.618.197.595**

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3. Consolidated income statement

	Income and expense items	Note (Section Five)	Current Period (01/01/2018-31/12/2018)
I.	**INTEREST INCOME**	**4.1**	**35.508.387**
1.1	Interest on loans	4.1.1	25.681.345
1.2	Interest received from reserve deposits		415.131
1.3	Interest received from banks	4.1.2	773.117
1.4	Interest received from money market transactions		58.739
1.5	Interest received from marketable securities portfolio	4.1.3	7.182.346
1.5.1	Financial assets at fair value through profit or loss		11.186
1.5.2	Financial assets at fair value through other comprehensive income		4.535.722
1.5.3	Financial assets measured at amortised cost		2.635.438
1.6	Finance lease income		930.218
1.7	Other interest income		467.491
II.	**INTEREST EXPENSES**	**4.2**	**21.011.923**
2.1	Interest on deposits	4.2.4	14.331.588
2.2	Interest on funds borrowed	4.2.1	2.446.396
2.3	Interest expense on money market transactions		1.506.986
2.4	Interest on securities issued	4.2.3	2.174.148
2.5	Other interest expenses		552.805
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**14.496.464**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**4.236.344**
4.1	Fees and commissions received		5.630.813
4.1.1	Non-cash loans		798.094
4.1.2	Other		4.832.719
4.2	Fees and commissions paid		1.394.469
4.2.1	Non-cash loans		28.293
4.2.2	Other		1.366.176
V.	**PERSONNEL EXPENSES (-)**	**4.8**	**3.051.597**
VI	**DIVIDEND INCOME**	**4.3**	**14.567**
VII.	**TRADING PROFIT/LOSS (Net)**	**4.4**	**(81.168)**
7.1	Profit/losses from capital market transactions		129.989
7.2	Profit/losses from derivative financial transactions	4.5	11.895.305
7.3	Foreign exchange profit/losses		(12.106.462)
VIII.	**OTHER OPERATING INCOME**	**4.7**	**1.255.118**
IX.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)**		**16.869.728**
X.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**4.6**	**7.304.266**
XI.	**OTHER OPERATING EXPENSES (-)**	**4.8**	**3.633.384**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI**		**5.932.078**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**
XIV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**115.817**
XV.	**NET MONETARY POSITION GAIN/(LOSS)**		**-**
XVI.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)**	**4.9**	**6.047.895**
XVII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.10**	**1.380.357**
17.1	Current tax provision		1.025.376
17.2	Expense effect of deferred tax (+)		354.981
17.3	Income effect of deferred tax (-)		-
XVIII.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)**		**4.667.538**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		-
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)**		-
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		-
XXIV.	**NET PROFIT/LOSSES (XVIII+XXIII)**	**4.11**	**4.667.538**
24.1	Group`s profit/loss		4.667.426
24.2	Minority shares	4.12	112
	Profit/Loss per share (in TL full)		0,0073

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3. Consolidated income statement

	Income and expense items	Note (Section Five)	Prior Period (01/01/2017-31/12/2017)
I.	**Interest income**	**4.1**	**22.985.702**
1.1	Interest on loans	4.1.1	18.020.957
1.2	Interest received from reserve deposits		233.964
1.3	Interest received from banks	4.1.2	330.887
1.4	Interest received from money market transactions		23.368
1.5	Interest received from marketable securities portfolio	4.1.3	3.436.507
1.5.1	Trading financial assets		3.405
1.5.2	Financial assets at fair value through profit or (loss)		-
1.5.3	Available-for-sale financial assets		2.446.401
1.5.4	Held to maturity investments		986.701
1.6	Financial lease income		661.126
1.7	Other interest income		278.893
II.	**Interest expense**	**4.2**	**(13.250.685)**
2.1	Interest on deposits	4.2.4	(9.638.329)
2.2	Interest on funds borrowed	4.2.1	(1.498.314)
2.3	Interest expense on money market transactions		(824.556)
2.4	Interest on securities issued	4.2.3	(1.232.656)
2.5	Other interest expenses		(56.830)
III.	**Net interest income (I + II)**		**9.735.017**
IV.	**Net fees and commissions income**		**3.315.309**
4.1	Fees and commissions received		4.250.423
4.1.1	Non-cash loans		565.000
4.1.2	Other		3.685.423
4.2	Fees and commissions paid		(935.114)
4.2.1	Non-cash loans		(21.767)
4.2.2	Other		(913.347)
V.	**Dividend income**		**10.726**
VI.	**Trading gain/(loss) (net)**	**4.3**	**(512.878)**
6.1	Trading gains/(losses) on securities		56.327
6.2	Derivative financial transactions gains/(losses)	4.5	(1.004.260)
6.3	Foreign exchange gains/(losses)		435.055
VII.	**Other operating income**	**4.6**	**1.143.615**
VIII.	**Total operating income / loss (III+IV+V+VI+VII)**		**13.691.789**
IX.	**Provision for impairment of loans and other receivables (-)**	**4.4**	**(3.358.109)**
X.	**Other operating expenses (-)**	**4.7**	**(5.819.966)**
XI.	**Net operating income/(loss) (VIII-IX-X)**		**4.513.714**
XII.	**Excess amount recorded as income after merger**		**-**
XIII.	**Income/(loss) from investments accounted based on equity method**		**87.612**
XIV.	**Income/(loss) on net monetary position**		**-**
XV.	**Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)**		**4.601.326**
XVI.	**Tax provision for continuing operations (±)**		**(987.168)**
16.1	Current tax provision		(1.100.842)
16.2	Deferred tax provision		113.674
XVII.	**Net profit/loss from continuing operations (XV±XVI)**	**4.8**	**3.614.158**
XVIII.	**Income from discontinued operations**	**4.9**	**-**
18.1	Income from non-current assets held for resale		-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-
18.3	Other income from discontinued operations		-
XIX.	**Expenses from discontinued operations (-)**		**-**
19.1	Expenses for non-current assets held for resale		-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-
19.3	Other expenses from discontinued operations		-
XX.	**Profit /losses before taxes from discontinued operations (XVIII-XIX)**		**-**
XXI.	**Tax provision for discontinued operations (±)**		**-**
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	**Net profit/loss from discontinued operations (XX±XXI)**		**-**
XXIII.	**Net profit/loss (XVII+XXII)**	**4.10**	**3.614.158**
23.1	Group's profit/loss		3.614.081
23.2	Minority interest profit/losses (-)		77
	Earnings/(loss) per share (in TL full)		0,0083

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4. Consolidated statement of income and expense items accounted under shareholders' equity

		Current Period (31/12/2018)
I.	**PROFIT (LOSS)**	**4.667.538**
II.	**OTHER COMPREHENSIVE INCOME**	**287.451**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**446.698**
2.1.1.	Gains (losses) on Revaluation of Property, Plant and Equipment	545.509
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(52.110)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	2.359
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(49.060)
2.2.	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(159.247)**
2.2.1.	Exchange Differences on Translation	892.573
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(1.892.583)
2.2.3.	Income (loss) Related with Cash Flow Hedges	1.162.325
2.2.4.	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(618.595)
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	297.033
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**4.954.989**

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Income and expense items accounted under shareholders' equity	Prior Period (31/12/2017)
I.	**Transfers to marketable securities valuation differences from financial assets available for sale**	**90.585**
II.	**Property and equipment revaluation differences**	**(1.973)**
III.	**Intangible assets revaluation differences**	**-**
IV.	**Currency translation differences for foreign currency transactions**	**371.732**
V.	**Profit/loss on cash flow hedges (effective part of the fair value changes)**	**590.799**
VI.	**Profit/loss on foreign net investment hedges (effective part of the fair value changes)**	**(321.859)**
VII.	**Effects of changes in accounting policy and adjustment of errors**	**-**
VIII.	**Other income and expense items accounted under shareholders' equity according to TAS**	**(259.938)**
IX.	**Deferred tax on valuation differences**	**(102.793)**
X.	**Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)**	**366.553**
XI.	**Current year profit/loss**	**3.614.158**
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	39.180
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	272.787
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-
11.4	Other	3.302.191
XII.	**Total income/loss accounted for the period (X+XI)**	**3.980.711**

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş. Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2018

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

5. Consolidated statement of changes in shareholders' equity

Current Period (31/12/2018)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		
Changes in shareholder's equity	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3
I. Balance at the beginning of the period	4.347.051	543.881	-	1.329.747	1.381.028	(184.484)	25.785
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-
III. New balance (I+II)	4.347.051	543.881	-	1.329.747	1.381.028	(184.484)	25.785
IV. Total comprehensive income (loss)	-	-	-	-	485.503	(40.645)	1.840
V. Capital increase in cash	4.100.000	13.056	-	(29.472)	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	108	-	-	-
XI. Profit distribution	-	-	-	127.833	-	-	-
11.1. Dividends distributed	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-
11.3. Other	-	-	-	-	-	-	-
Period end balance (III+IV+......+X+XI)	8.447.051	556.937	-	1.428.216	1.866.531	(225.129)	27.625

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and OtherAccumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss,
4. Exchange differences on translation reserve,
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.

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
4	5	6	Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
1.144.663	(410.701)	117.925	16.552.355	1.639.954	3.614.081	30.101.285	541	30.101.826
-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
-	-	-	-	-	-	-	-	-
-	110.325	-	(243.404)	-	-	(133.079)	-	(133.079)
1.144.663	(300.376)	117.925	16.308.951	1.639.954	3.614.081	29.968.206	541	29.968.747
892.573	(1.475.929)	424.109	-	-	4.667.426	4.954.877	112	4.954.989
-	-	-	-	-	-	4.083.584	-	4.083.584
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(108)	-	-	-	-	-
-	-	-	3.486.248	-	(3.614.081)	-	(42)	(42)
-	-	-	-	-	-	-	(42)	(42)
-	-	-	3.486.248	-	(3.614.081)	-	-	-
-	-	-	-	-	-	-	-	-
2.037.236	(1.776.305)	542.034	19.795.091	1.639.954	4.667.426	39.006.667	611	39.007.278

Yapı ve Kredi Bankası A.Ş.
Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2017

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

5. Consolidated statement of changes in shareholders' equity

	Prior Period (31/12/2017)	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves[1]	Status reserves
I.	Prior period-end balance		4.347.051	-	543.881	-	844.539	-
	Changes in the period		-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-
4.1	Cash flow hedge		-	-	-	-	-	-
4.2	Foreign net investment hedge		-	-	-	-	-	-
V.	Property and equipment revaluation differences		-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-
IX.	Changes due to the disposal of assets		-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-
XV.	Paid in-capital inflation adjustment difference		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Current year income or loss		-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	24.871	-
18.1	Dividend paid		-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	24.871	-
18.3	Other		-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-
	Period end balance (I+II+III+……+XVII+XVIII)		4.347.051	-	543.881	-	869.410	-

[1] Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

The accompanying explanations and notes form an integral part of these financial statements.

Extra-ordinary reserves[1]	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)[1]	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from invest-ments	Hedging funds	Asset held for resale/ discon-tinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total share-holders' equity
12.913.149	1.982.740	2.932.795	1.639.954	(463.754)	1.469.697	4.561	(93.962)		26.120.651	502	26.121.153
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	81.976	-	-	-	-	81.976	-	81.976
-	-	-	-	-	-	-	205.690	-	205.690	-	205.690
-	-	-	-	-	-	-	451.344	-	451.344	-	451.344
-	-	-	-	-	-	-	(245.654)	-	(245.654)	-	(245.654)
-	-	-	-	-	(88.744)	-	-	-	(88.744)	-	(88.744)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1.106	-	-	1.106	-	1.106
-	367.576	-	-	(3.138)	75	-	6.197	-	370.710	-	370.710
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(204.185)	-	-	-	-	-	-	-	(204.185)	-	(204.185)
-	-	3.614.081	-	-	-	-	-	-	3.614.081	77	3.614.158
2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	(38)	(38)
-	-	-	-	-	-	-	-	-	-	(38)	(38)
2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
15.675.023	2.292.181	3.614.081	1.639.954	(384.916)	1.381.028	5.667	117.925	-	30.101.285	541	30.101.826

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Consolidated Financial Statements
As of December 31, 2018

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6. Consolidated statement of cash flows

		Notes (Section Five)	Current Period (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**10.051.749**
1.1.1	Interest received		28.860.286
1.1.2	Interest paid		(20.355.110)
1.1.3	Dividend received		14.567
1.1.4	Fees and commissions received		5.630.813
1.1.5	Other income		2.121.212
1.1.6	Collections from previously written-off loans and other receivables		1.380.367
1.1.7	Cash Payments to personnel and service suppliers		(6.390.993)
1.1.8	Taxes paid		(642.045)
1.1.9	Other	6.3	(567.348)
1.2	**Changes in operating assets and liabilities subject to banking operations**		**(6.471.411)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(145.539)
1.2.2	Net (increase) decrease in due from banks		(6.785.334)
1.2.3	Net (increase) decrease in loans		(27.307.429)
1.2.4	Net (increase) decrease in other assets		(5.951.381)
1.2.5	Net increase (decrease) in bank deposits		950.497
1.2.6	Net increase (decrease) in other deposits		35.336.043
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		3.736.167
1.2.8	Net increase (decrease) in funds borrowed		(6.284.391)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	6.3	(20.044)
I.	**Net cash provided from banking operations**		**3.580.338**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(1.866.239)**
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		(554.845)
2.4	Cash obtained from the sale of tangible and intangible asset		75.760
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(13.723.476)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		14.415.812
2.7	Cash paid for the purchase of financial assets at amortised cost		(4.065.376)
2.8	Cash obtained from sale of financial assets at amortised cost		1.985.886
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flows from financing activities**		**5.612.483**
3.1	Cash obtained from funds borrowed and securities issued		13.263.606
3.2	Cash outflow from funds borrowed and securities issued		(11.734.665)
3.3	Equity instruments issued		4.083.584
3.4	Dividends paid		(42)
3.5	Payments for finance lease liabilities		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**15.321.623**
V.	**Net increase/decrease in cash and cash equivalents**		**22.648.205**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**23.844.278**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**46.492.483**

The accompanying explanations and notes form an integral part of these financial statements.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Consolidated statement of cash flows

		Note (Section Five)	Prior Period (31/12/2017)
A.	**Cash flows from banking operations**		
1.1	**Operating profit before changes in operating assets and liabilities**		1.495.927
1.1.1	Interest received		20.688.452
1.1.2	Interest paid		(13.148.825)
1.1.3	Dividend received		10.726
1.1.4	Fees and commissions received		4.250.423
1.1.5	Other income		(735.688)
1.1.6	Collections from previously written-off loans and other receivables		1.427.699
1.1.7	Payments to personnel and service suppliers		(4.728.890)
1.1.8	Taxes paid		(1.310.502)
1.1.9	Other		(4.957.468)
1.2	**Changes in operating assets and liabilities**		4.071.561
1.2.1	Net (increase)/decrease in trading securities		(58.923)
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-
1.2.3	Net (increase)/decrease in banks		(3.688.408)
1.2.4	Net (increase)/decrease in loans		(26.556.689)
1.2.5	Net (increase)/decrease in other assets		(733.197)
1.2.6	Net increase /(decrease) in bank deposits		1.261.383
1.2.7	Net increase /(decrease) in other deposits		15.038.286
1.2.8	Net increase /(decrease) in funds borrowed		16.631.691
1.2.9	Net increase /(decrease) in payables		-
1.2.10	Net increase /(decrease) in other liabilities		2.177.418
I.	**Net cash flows from banking operations**		**5.567.488**
B.	**Cash flows from investing activities**		
II.	**Net cash flows from investing activities**		**(6.419.690)**
2.1	Cash paid for acquisition of investments in associates subsidiaries and joint ventures		-
2.2	Cash obtained from disposal of investments in associates subsidiaries and joint ventures		215.307
2.3	Purchases of property and equipment		(420.323)
2.4	Disposals of property and equipment		65.035
2.5	Purchase of investments available-for-sale		(16.011.211)
2.6	Sale of investments available-for -sale		11.581.249
2.7	Purchase of investment securities		(3.231.152)
2.8	Sale of investment securities		1.381.405
2.9	Other		-
C.	**Cash flows from financing activities**		
III.	**Net cash flows from financing activities**		**7.151.974**
3.1	Cash obtained from funds borrowed and securities issued		23.390.945
3.2	Cash used for repayment of funds borrowed and securities issued		(16.238.933)
3.3	Issued capital instruments		-
3.4	Dividends paid		(38)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**		**1.585.494**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**7.885.266**
VI.	**Cash and cash equivalents at beginning of the period**		**15.959.012**
VII.	**Cash and cash equivalents at end of the period**		**23.844.278**

The accompanying explanations and notes form an integral part of these financial statements.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

7. Profit distribution statement[(1),(2)]

		Current Period (31/12/2018)	Prior Period (31/12/2017)
I.	**Distribution of current year income**		
1.1	Current year income	5.855.491	4.473.414
1.2	Taxes and duties payable (-)	1.188.065	859.333
1.2.1	Corporate tax (income tax)	791.064	1.010.325
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	397.001	(150.992)
A.	**Net income for the year (1.1-1.2)**	**4.667.426**	**3.614.081**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	-
1.5	Other statutory reserves (-)	-	-
B.	**Net income available for distribution [(A+(1.3+1.4+1.5)]**	**4.667.426**	**3.614.081**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	Dividends to personnel (-)	-	-
1.8	Dividends to board of directors (-)	-	-
1.9	Second dividend to shareholders (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.1	Second legal reserves (-)	-	-
1.11	Statutory reserves (-)	-	-
1.12	Extraordinary reserves	-	3.486.248
1.13	Other reserves	-	-
1.14	Special funds	-	127.833
		-	-
II.	**Distribution of reserves**	**-**	**-**
2.1	Appropriated reserves	-	-
2.2	Second legal reserves (-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	Dividends to personnel (-)	-	-
2.5	Dividends to board of directors (-)	-	-
III.	**Earnings per share**	**0,0073**	**0,0083**
3.1	To owners of ordinary shares	0,0073	0,0083
3.2	To owners of ordinary shares (%)	-	-
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
IV.	**Dividend per share**		
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

(1) Profit Distribution Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(2) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2018 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.
Notes to Consolidated Financial Statements
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities, buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The accounting policies and valuation principles employed for the preparation of consolidated financial statements are in compliance with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS. The accounting principles except TFRS 9 impact, are in accordance with, the used principles in preparation of yearly financial statement as of December 31, 2017.

The Group has adopted "TFRS 9: Financial Instruments" to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018, as issued by issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt TFRS 9 in prior periods.

As permitted by the transitional provisions of TFRS 9, the Group has chosen not to restating the comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the "Profit reserves" of the current period and in the openning balance of "Other comprehensive income reserves". The Group has chosen to continue to apply the hedge accounting requirements of TAS 39.

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The adoption of TFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and also impairment of financial assets.

The following table reconciles the changes for impairment of financial assets between previous measurement category in accordance with TAS 39 as of December 31, 2017 to new measurement categories upon transition to TFRS 9 as of January 1, 2018:

According to related regulations of BRSA		Provision Difference	According to TFRS 9	
Measurement category	**Allowances**	**Remeasurement**	**Measurement category**	**Expected credit loss provisions**
Financial assets	**27.253**	**83.811**	**Financial assets**	**111.064**
Cash and balances with Central Bank	-	77.943	Cash and balances with Central Bank	77.943
Banks	27.253	5.446	Banks	32.699
Money markets	-	422	Money markets	422
Financial assets available-for-sale	**18.326**	**4.317**	**Financial assets at fair value through other comprehensive income**	**22.643**
Held-to-maturity investments	**-**	**10.481**	**Financial assets measured at amortised cost**	**10.481**
Loans and receivables	**9.929.179**	**440.281**	**Loans**	**10.369.460**
Lease receivables	**268.765**	**153.181**	**Lease receivables**	**421.946**
Factoring receivables	**112.673**	**20.155**	**Factoring receivables**	**132.828**
Other assets	**186.856**	**(175.882)**	**Other assets**	**10.974**
Off-balance sheet commitments	**357.019**	**762.240**	**Off-balance sheet commitments**	**1.119.259**
Total	**10.900.071**	**1.298.584**	**Total**	**12.198.655**

The effect of application of TFRS 9 to impairment of financial assets is, before tax, the negative TL 1.298.584.

The Group calculated deferred tax related to Stage 1 and Stage 2 expected credit losses, and recognized the impact under shareholder's equity with initial application of TFRS 9. Calculated tax impact is TL 1.033.794 income, and as a result net-off tax TL 264.790 expense is recognized under "Profit Reserves" opening balance related to impairment of financial assets.

Application of TFRS 9 resulted also in changes to measurement and classification of some financial assets.

Visa Inc. shares and credit linked notes classified as "Available for sale financial assets" per prior application, have been classified as "Financial assets measured at fair value through profit or loss" per TFRS 9 transition applied in the current period. In relation to this change TL 23.456 income and TL 2.070 expense has been transferred from "Marketable securities valuation differences" to "Profit reserves".

Some equity instruments as "Available-for-sale financial assets" in the prior period are also classified as "Financial assets measured at fair value through other comprehensive income" irrevocably except Visa Inc. classified. The fair value changes of related instruments will not be reclassified to profit or loss when they are sold.

As of January 1, 2018, the Group has no financial instrument that fails the solely payments of principal and interest test except credit linked notes.

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In addition, with the adoption of TFRS 9, some public debt securities with an amount of TL 1.998.350 under "financial assets at fair value through other comprehensive income" portfolio are classified as "financial assets measured at amortised cost" due to fact that related financial assets are evaluated under business model whose objective is to hold assets in order to collect contractual cash flows. In relation to this change marketable securities valuation expense amouting to TL 131.711 has been reversed from "Marketable securities valuation differences". There is no other changes in the measurement principal apart from related classification.

Per BRSA communique numbered 24049440-045.01[3/8]-E.5380 dated April 17, 2018, titled "Financial Reporting", prior period figures are represented in prior format and without application of TFRS 9 regulations.

TFRS 15 revenue from contracts with customers standard ("TFRS 15"), effective starting from 1 January 2018, replaces TMS 18 Revenue ("TMS 18") standard. TFRS 15 has no significant impact on the Bank's accounting policies, financial position and performance.

TFRS16 Leases ("TFRS 16"), effective starting from 1 January 2019, removes the distinction between operating and finance leases applied by the lessee in TMS 17 Leases ("TMS 17"). Instead, there will be a single accounting model which requires almost all leases being recognised on the balance sheet.The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. For the lessors the accounting treatment will be almost the same with the current applications.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within limits determined levels by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss " in equity.

In order to eliminate the inconsistency in the recognition, the Group, might classify its financial liabilities as the financial liabilities classified at fair value through profit/loss upon the initial recognition.

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3. Information on consolidation principles:

3.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and "TFRS 10-Consolidated Financial Statements"

3.1.1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2018	Direct and indirect rates (%) December 31, 2018
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta	St.Julian's /Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

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3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2018	Direct and indirect rates % December 31, 2018
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2018	Direct and indirect rates % December 31, 2018
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

3.1.5. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

4. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9- Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets at fair value through profit or loss" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS - 9 Financial Instruments"; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2018, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS - 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. . If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assetsare managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Group's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of salesb in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the

business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until the maturity. Thus Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Group sells financial assets when there is an increase in the assets' credit risk. The Group considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost.These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments of fair value through other comprehensive income:

At initial recognition, Group can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an an equity instrument within the scope of TFRS 9. Such election is made on an instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

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8. Explanations on impairment of financial assets:

The Parent Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Parent Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Parent Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assesments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Group can abondon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparision of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Group's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Group's associates and subsidiaries

Forward Looking Information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Group uses macroeconomic estimation method which is developed during creation of various scenarious. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

While generating data for expected credit loss calculation, OECD countries, in the context of estimating macroeconomic information of international monetary policy and the intensity of the sector, specifications and estimates of econometric models revealing past relationships between credit risk parameters and macroeconomic variables are employed in order to be able to generate estimates based on macroeconomic information.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Group evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1 year maturity, a process called "convergence to the mean" is applied.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

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11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the "TFRS-5 Non-current Assets Held for Sale and Discontinued Operations" a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS 3- Business Combinations" the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS 36 - Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16- Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS 36-Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs financial and operational leasing in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessee:

14.1.1 Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

14.1.2 Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

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14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1 Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions and contingent assets and liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with "TAS 37- Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

16.2. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

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Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

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17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains (have been set as 50% for real estate properties as of December 5, 2017) derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2018 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

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Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Additional explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments of the Parent Bank were announced after the balance sheet date.

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20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.075 (December 31, 2017 - TL 1.183).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the period to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	4.667.426	3.614.081
Weighted average number of issued ordinary shares (thousand)	643.084.249	434.705.128
Earnings per share (full TL)	**0,0073**	**0,0083**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2018 (31 December 2017 - no bonus shares were issued).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 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 12 of Section Four.

26. Explanations on other matters:

None.

27. Explanations on prior period accounting policies not valid for the current period:

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

The Bank classifies and accounts its financial assets as "fair value through profit or loss", "available-for-sale", "loans and receivables" or "held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

27.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments.

27.2. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

27.3. Loans and receivables:

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

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Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Parent Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

27.4. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Trading gains/(losses) on securities" according to the UCA.

Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity".

The consolidated capital adequacy ratio of the Group is 14,81% (December 31, 2017 - 13,37%) and the Parent Bank is 16,07% (December 31, 2017 - 14,49%).

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1.1. Information related to capital adequacy ratio:

	Current Period	Amounts subject to treatment before 1/1/2014(1)	Prior Period	Amounts subject to treatment before 1/1/2014(1)
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	8.447.051		4.347.051	
Share issue premiums	556.937		543.881	
Retained earnings	21.216.976		17.697.018	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.647.070		3.538.112	
Profit	6.307.380		5.254.035	
Net profit of the period	4.667.426		3.614.081	
Profit of the previous years	1.639.954		1.639.954	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	6.331		5.667	
Minority interest	611		541	
Common Equity Tier 1 capital before regulatory adjustments	**42.182.356**		**31.386.305**	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	54.299		91.324	
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	3.175.078		1.284.479	
Improvement costs for operating leasing	107.326		98.823	
Goodwill (net of related tax liability)	979.493	-	783.594	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	789.064	-	533.737	667.171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	1.513.584		836.691	
Shortfall of provisions to expected losses	-		-	
Securitisation gain on sale	-		-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Investments in own shares	-		-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Mortgage servicing rights (amount above 10% threshold)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-		-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	1.068.032		790.411	
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	**7.686.876**		**4.419.059**	
Common Equity Tier 1 capital (CET1)	**34.495.480**		**26.967.246**	

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ADDITIONAL TIER 1 CAPITAL	**Current Period**	**Amounts subject to treatment before 1/1/2014[1]**	**Prior Period**	**Amounts subject to treatment before 1/1/2014[1]**
Preffered shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-		-	
Additional Tier 1 capital before regulatory adjustments	-		-	
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-		-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-		-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	329.333	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			-	
Total regulatory adjustments to Additional Tier 1 capital	**-**		**-**	
Total Additional Tier 1 capital	**-**		**-**	
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**34.495.480**		**26.637.913**	
TIER 2 CAPITAL				
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	7.070.650		5.865.305	

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ADDITIONAL TIER 1 CAPITAL	Current Period	Amounts subject to treatment before 1/1/2014[1]	Prior Period	Amounts subject to treatment before 1/1/2014[1]
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711.040		711.040	
Shares of Third Parties in Additional Tier I Capital	-		-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks) [2]	2.720.587		3.130.251	
Tier 2 capital before regulatory adjustments	**10.502.278**		**9.706.596**	
Tier 2 capital: regulatory adjustments				
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-		-	
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	87.791		72.789	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-		-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA				
Total regulatory adjustments to Tier 2 capital	**87.791**		**72.789**	
Total Tier 2 capital	**10.414.487**		**9.633.807**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**44.866.207**		**36.132.636**	
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)				
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.893		3.885	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years [3]	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	38.866		135.199	

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ADDITIONAL TIER 1 CAPITAL	Current Period	Amounts subject to treatment before 1/1/2014[1]	Prior Period	Amounts subject to treatment before 1/1/2014[1]
Regulatory Adjustments which will be deducted from Total Capital during the transition period				
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)				

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OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	44.866.207	36.132.636
Total Risk Weighted Assets	302.881.004	270.278.292
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,39	9,98
Tier 1 Capital Adequacy Ratio (%)	11,39	9,86
Capital Adequacy Ratio (%)	14,81	13,37
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,042	2,017
a) Capital conservation buffer requirement (%)	1,875	1,250
b) Bank's specific countercyclical buffer requirement (%)	0,042	0,017
c) Systemically important Bank buffer	1,125	0,750
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 (%)	5,389	3,978
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)	2.576.876	1.780.093
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	5.355.077	3.410.805
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.487.932	3.130.251
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	711.040	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.549.860	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.

(2) Represents after tax, net amount of general provisions.

(3) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4
Lender (1,2); Issuer (3,4)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.463	1.978	711	2.630
Par value of instrument	3.078	2.473	5.261	2.630
Accounting classification	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost	Liability - Subordinated Debt- amortized cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years 1 day
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156 fixed	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount

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	1	2	3	4
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated debts are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4. Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

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Exposures subject to countercyclical capital buffer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	230.229.060	-	230.229.060
Malta	1.494.185	-	1.494.185
Netherland	1.259.090	-	1.259.090
Switzerland	837.411	-	837.411
Azerbaijan	774.512	-	774.512
Republic of Maldives	755.829	-	755.829
Italy	725.559	-	725.559
USA	645.881	-	645.881
Marshall Islands	435.322	-	435.322
England	422.630	-	422.630
Luxembourg	415.531	-	415.531
Russia	371.507	-	371.507
Germany	368.569	-	368.569
Malesia	342.807	-	342.807
Bahrain	338.064	-	338.064
Egypt	279.410	-	279.410
Other	1.203.224	-	1.203.224
Total	**240.898.591**	**-**	**240.898.591**

2. Explanations on consolidated credit risk:

2.1 Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

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Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers according to Parent Bank's rating system is as follows:

	Current Period	Prior Period
Above average (1-4)	48,1%	46,5%
Average (5+ -6)	45,1%	46,9%
Below average (7+ -9)	6,8%	6,6%

The Parent Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower.

The Group sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current Period Risk Amount(1)	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	99.296.339	87.343.373
Conditional and unconditional receivables from regional or local governments	-	287
Conditional and unconditional receivables from administrative units and non-commercial enterprises	144.844	211.461
Conditional and unconditional receivables from multilateral development banks	78.620	135.688
Conditional and unconditional receivables from banks and brokerage houses	23.538.869	24.340.821
Conditional and unconditional receivables from corporates	184.801.387	175.206.058
Conditional and unconditional retail receivables	78.855.743	81.833.524
Conditional and unconditional receivables secured by mortgages	28.146.154	29.258.910
Past due receivables	3.793.722	1.792.772
Receivables defined as high risk category by the Regulator	105.735	34.215
Investments similar to collective investment funds	2.567	41.635
Share certificate investment	250.738	420.609
Other receivables	13.003.405	10.726.698
Total	**432.018.123**	**411.346.051**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

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2.2 The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3 In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non- cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4. The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5. In terms of credit risk;

- The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 31% and 40%. (December 31, 2017- 27% and 35%).
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 64%. (December 31, 2017- 49% and 62%).
- The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 37% and 47% of total cash loans and non-cash loans. (December 31, 2017- 34% and 42%).

2.6. The Group provided a general loan loss provision amounting to TL 5.355.077 (December 31, 2017 - TL 3.410.805).

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2.7. Risk profile according to the geographical concentration:

	Risk Classifications[1],[2]					
	1	2	3	4	5	6
Current Period						
Domestic	98.007.763	-	144.844	-	3.103.195	172.577.153
EU countries	1.149.792	-	-	70.720	17.058.988	4.945.893
OECD countries[3]	-	-	-	-	749.614	1.696.717
Off-shore banking regions	-	-	-	-	50.628	1.039.793
USA, Canada	-	-	-	7.900	1.447.623	1.313.503
Other countries	138.784	-	-	-	1.128.821	3.228.328
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities[4]	-	-	-	-	-	-
Total	**99.296.339**	**-**	**144.844**	**78.620**	**23.538.869**	**184.801.387**

	Risk Classifications[1],[2]					
	1	2	3	4	5	6
Prior Period						
Domestic	82.497.314	184	217.500	-	9.188.647	149.242.777
EU countries	241.268	190	-	136.943	12.477.459	3.987.884
OECD countries[3]	-	-	-	-	255.596	1.353.263
Off-shore banking regions	-	-	-	-	550.159	65.488
USA, Canada	-	-	-	4.281	1.482.764	1.732.765
Other countries	184.920	-	-	-	371.906	2.025.192
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets / Liabilities[4]	-	-	-	-	-	-
Total	**82.923.502**	**374**	**217.500**	**141.224**	**24.326.531**	**158.407.369**

[1] Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

[2] Includes credit risk amounts of total exposure before credit risk mitigation.

[3] OECD Countries other than EU countries, USA and Canada.

[4] Assets and liabilities are not allocated on a consistent basis.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from banks and brokerage houses
7-Conditional and unconditional receivables from corporates
8-Conditional and unconditional retail receivables
9-Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Investments similar to collective investment funds
12-Share certificate investment
13-Other receivables

Risk Classifications(1),(2)							
7	8	9	10	11	12	13	Total
78.682.607	28.141.833	3.692.982	105.662	2.567	66.505	12.987.500	**397.512.611**
5.104	1.611	14.814	-	-	-	5.692	**23.252.614**
651	1.524	-	73	-	-	-	**2.448.579**
8	-	13.294	-	-	-	-	**1.103.723**
1.857	253	74	-	-	170.646	-	**2.941.856**
165.516	933	72.558	-	-	186	10.213	**4.745.339**
-	-	-	-	-	13.401	-	**13.401**
-	-	-	-	-	-	-	**-**
78.855.743	**28.146.154**	**3.793.722**	**105.735**	**2.567**	**250.738**	**13.003.405**	**432.018.123**

Risk Classifications(1),(2)							
7	8	9	10	11	12	13	Total
83.350.987	26.639.303	2.252.602	190.330	94.843	305.533	8.353.111	**362.333.131**
6.154	2.291	8	2	-	-	2.615	**16.854.814**
921	1.536	-	-	-	-	-	**1.611.316**
3.690	-	8.399	-	-	-	-	**627.736**
5.946	353	85	-	-	94.806	-	**3.321.000**
111.733	468	75.079	-	-	133	-	**2.769.431**
-	-	-	-	-	11.803	-	**11.803**
-	-	-	-	-	-	-	**-**
83.479.431	**26.643.951**	**2.336.173**	**190.332**	**94.843**	**412.275**	**8.355.726**	**387.529.231**

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2.8. Risk profile according to sectors and counterparties:

	Risk Classifications[1],[2]					
	1	2	3	4	5	6
Agricultural	**-**	**-**	**3.450**	**-**	**-**	**4.140.686**
Farming and raising livestock	-	-	3.450	-	-	2.793.357
Forestry	-	-	-	-	-	1.069.918
Fishing	-	-	-	-	-	277.411
Manufacturing	**-**	**-**	**2.702**	**-**	**228.153**	**102.196.386**
Mining	-	-	23	-	-	2.910.055
Production	-	-	2.635	-	178.440	57.622.010
Electric, gas and water	-	-	44	-	49.713	41.664.321
Construction	**-**	**-**	**32**	**-**	**-**	**33.328.986**
Services	**99.296.339**	**-**	**138.659**	**78.620**	**22.615.141**	**44.207.193**
Wholesale and retail trade	-	-	334	-	4.386	6.704.673
Hotel, food and beverage services	-	-	47	-	-	5.236.696
Transportation and telecommunication	-	-	-	-	-	10.232.497
Financial institutions	99.296.339	-	34	78.620	22.610.755	8.585.624
Real estate and renting services	-	-	-	-	-	389.387
Employment	-	-	-	-	-	-
Education services	-	-	928	-	-	256.278
Health and social services	-	-	137.316	-	-	12.802.038
Other	**-**	**-**	**1**	**-**	**695.575**	**928.136**
Total	**99.296.339**	**-**	**144.844**	**78.620**	**23.538.869**	**184.801.387**

[1] Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

[2] Includes credit risk amounts of total exposure before credit risk mitigation.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Investments similar to collective investment funds
12-Share certificate investment
13-Other receivables

Risk Classifications[(1),(2)]									
7	8	9	10	11	12	13	TL	FC	Total
2.902.061	**637.184**	**230.077**	**1.086**	**-**	**-**	**-**	**4.723.786**	**3.190.758**	**7.914.544**
1.927.902	456.666	197.986	891	-	-	-	3.262.001	2.118.251	5.380.252
937.789	178.349	29.940	193	-	-	-	1.381.640	834.549	2.216.189
36.370	2.169	2.151	2	-	-	-	80.145	237.958	318.103
17.220.923	**6.912.826**	**2.373.139**	**73.205**	**-**	**4.395**	**-**	**47.361.167**	**81.650.562**	**129.011.729**
503.253	267.373	176.689	126	-	-	-	1.633.536	2.223.983	3.857.519
16.359.797	6.289.699	1.161.505	7.973	-	4.395	-	38.805.858	42.820.596	81.626.454
357.873	355.754	1.034.945	65.106	-	-	-	6.921.773	36.605.983	43.527.756
7.148.588	**8.426.396**	**386.078**	**15.350**	**-**	**-**	**-**	**16.875.761**	**32.429.669**	**49.305.430**
9.281.025	**5.076.240**	**440.033**	**6.148**	**-**	**188.151**	**9.109.179**	**85.169.266**	**105.267.462**	**190.436.728**
4.239.428	1.028.470	189.539	3.107	-	-	-	7.981.913	4.188.024	12.169.937
1.137.401	2.422.035	95.473	415	-	-	-	2.676.472	6.215.595	8.892.067
1.851.831	478.547	74.896	1.826	-	5.000	-	3.511.423	9.133.174	12.644.597
183.777	59.774	4.024	33	-	181.857	9.109.179	62.811.308	77.298.708	140.110.016
57.752	5.799	26.191	4	-	-	-	308.938	170.195	479.133
-	-	-	-	-	-	-	-	-	-
148.369	44.998	1.212	22	-	-	-	402.278	49.529	451.807
1.662.467	1.036.617	48.698	741	-	1.294	-	7.476.934	8.212.237	15.689.171
42.303.146	**7.093.508**	**364.395**	**9.946**	**2.567**	**58.192**	**3.894.226**	**53.093.176**	**2.256.516**	**55.349.692**
78.855.743	**28.146.154**	**3.793.722**	**105.735**	**2.567**	**250.738**	**13.003.405**	**207.223.156**	**224.794.967**	**432.018.123**

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2.9. Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	22.068.507	1.082.234	1.384.373	516.580	74.243.444	99.295.138
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	49.600	1.866	32.142	12.612	48.557	144.777
Conditional and unconditional receivables from multilateral development banks	-	593	8.973	226	68.828	78.620
Conditional and unconditional receivables from banks and brokerage houses	8.482.996	2.007.954	2.536.147	1.786.142	7.395.042	22.208.281
Conditional and unconditional receivables from corporates	16.160.213	11.356.799	14.636.194	19.654.626	122.932.874	184.740.706
Conditional and unconditional retail receivables	28.656.010	2.985.007	4.609.801	6.461.636	33.000.206	75.712.660
Conditional and unconditional receivables secured by mortgages	797.136	651.310	1.420.575	2.004.759	23.213.749	28.087.529
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	8.616	3.015	1.154	66.278	26.669	105.732
Investments similar to collective investment funds	-	2.567	-	-	-	2.567
Share certificate investment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	**76.223.078**	**18.091.345**	**24.629.359**	**30.502.859**	**260.929.369**	**410.376.010**

[1] Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below.

	Risk Weights	0%	20%	35%	50%	75%	100%	150%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	93.985.194	8.511.362	9.561.347	33.171.365	78.855.743	206.965.755	967.357	432.018.123	3.075.465
2	Total exposure after credit risk mitigation	100.719.433	8.185.652	9.561.347	32.511.477	72.754.162	199.819.395	601.931	424.153.397	3.075.465

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2.11. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of December 31, 2018.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of December 31, 2018

Sectors / Counterparties	Loans		Provisions
	Impaired Loans (TFRS9)		
	Significant increase in credit risk	Credit - Impaired (Stage 3)	Expected Credit Losses
Agricultural	**480.434**	**821.552**	**679.459**
Farming and raising livestock	337.333	704.645	570.863
Forestry	41.439	75.198	50.685
Fishing	101.662	41.709	57.911
Manufacturing	**21.257.513**	**7.496.826**	**7.552.777**
Mining	113.331	413.098	246.826
Production	5.405.322	4.872.669	4.294.289
Electric, gas and water	15.738.860	2.211.059	3.011.662
Construction	**5.244.426**	**1.904.199**	**1.882.535**
Services	**6.272.283**	**2.295.780**	**2.265.216**
Wholesale and retail trade	1.051.063	975.980	823.255
Hotel, food and beverage services	663.664	305.460	240.664
Transportation and telecommunication	766.625	409.890	376.792
Financial institutions	1.216.774	90.264	200.894
Real estate and renting services	1.822.549	160.209	289.972
Education services	26.438	13.190	12.823
Health and social services	725.170	340.787	320.816
Other	**3.047.409**	**1.861.133**	**1.609.778**
Total	**36.302.065**	**14.379.490**	**13.989.765**

2.12. Information about value adjustments and changes in the loan impairment:

		31.12.2017 Close out balance	TFRS 9 Remeasurement	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments[1]	Close out balance
1	Specific provisions	7.489.266	1.844.626	9.333.892	4.622.321	(1.105.368)	(2.516.488)	10.334.357
2	General provisions	3.410.805	(546.042)	2.864.763	2.490.520	-	(206)	5.355.077

[1] The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

3. Explanations on Consolidation Based Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk management approach of the Bank

Risk management strategy of the Group ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Group is based on strong risk management techniques of İSEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Group implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of the Parent Bank's credit allocation activities, is updated annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

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The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

İSEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Parent Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Credit Risk Control and Operational Risk Management" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Parent Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Analytical Modelling and Macroeconomic Research Department under the supervision of Chief Economist.

The Parent Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

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For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**271.987.460**	**242.416.648**	**21.758.997**
2	Of which standardised approach (SA)	271.987.460	242.416.648	21.758.997
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**7.045.736**	**7.955.474**	**563.659**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	7.045.736	7.955.474	563.659
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach**	**-**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**1.459**	**47.101**	**117**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**	**-**
10	**Equity investments in funds - fall-back approach**	**-**	**-**	**-**
11	**Settlement risk**	**-**	**-**	**-**
12	**Securitisation exposures in banking book**	**-**	**-**	**-**
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**2.872.391**	**1.790.287**	**229.791**
17	Of which standardised approach (SA)	2.872.391	1.790.287	229.791
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational risk**	**20.973.958**	**18.068.782**	**1.677.917**
20	Of which Basic Indicator Approach	20.973.958	18.068.782	1.677.917
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**
24	**Floor adjustment**	**-**	**-**	**-**
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**302.881.004**	**270.278.292**	**24.230.481**

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3.2. Linkages between financial statements and risk amounts:

3.2.1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

			Carrying values of items in accordance with TAS				
Current Period	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial Assets (Net)	120.733.988	121.064.272	112.055.422	10.889.480	-	5.124.665	87.791
Loans (Net)	234.776.181	234.967.956	239.883.612	-	-	-	43.759
Assets Held For Resale And Related To Discontinued Operations (Net)	298.470	298.470	298.470	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	1.068.349	1.081.433	13.401	-	-	-	1.068.032
Property And Equipment (Net)	1.374.391	3.312.175	3.204.849	-	-	-	107.326
Intangible Assets (Net)	1.861.354	1.817.112	48.555	-	-	-	1.768.557
Tax Asset	931.569	722.395	722.395	-	-	-	-
Other Assets	10.061.979	10.112.441	10.302.945	-	-	-	-
TOTAL ASSETS	**371.106.281**	**373.376.254**	**366.529.649**	**10.889.480**	**-**	**5.124.665**	**3.075.465**
Liabilities							
Deposits	211.636.961	210.291.473	-	-	-	-	210.291.473
Borrowings	47.157.273	47.072.002	-	-	-	-	47.072.002
Money Markets	2.174.724	3.520.213	-	1.345.575	-	-	2.174.638
Marketable Securities Issued	21.158.177	21.442.203	-	-	-	-	21.442.203
Financial liabilities fair value through profit and loss	7.965.404	7.965.404	-	-	-	-	7.965.404
Derivative Financial Liabilities	7.287.749	7.287.749	-	7.287.749	-	5.639.073	-
Lease Payables	-	-	-	-	-	-	-
Provisions	2.787.803	3.459.185	-	-	-	-	3.459.185
Tax Liability	674.897	1.133.098	-	-	-	-	1.133.098
Subordinated Loans	13.557.153	13.557.153	-	-	-	-	13.557.153
Other Liabilities	19.582.387	18.640.496	-	-	-	-	18.640.496
Shareholder's Equity	37.123.753	39.007.278	-	-	-	-	39.007.278
TOTAL LIABILITIES	**371.106.281**	**373.376.254**	**-**	**8.633.324**	**-**	**5.639.073**	**364.742.930**

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			Carrying values of items in accordance with TAS				
Prior Period	**Carrying values in financial statements prepared as per TAS**	**Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances with the Central Bank	42.451.970	42.451.970	42.451.970	-	-	-	-
Trading Financial Assets	4.212.134	4.230.080	38.442	4.127.517	-	2.468.386	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	5.653.475	4.837.212	4.837.212	-	-	-	-
Money Market Placements	252	817.005	817.005	-	-	-	-
Financial Assets Available-for-Sale (net)	24.316.146	24.496.524	24.274.349	6.937.612	-	58.062	164.113
Loans and Receivables	201.011.539	201.998.787	201.859.837	-	-	-	139.084
Factoring Receivables	3.833.040	3.843.167	3.843.167	-	-	-	-
Held-to-maturity investments (net)	14.197.066	14.197.066	14.197.066	2.740.515	-	-	-
Investment in Associates (net)	772.078	776.528	4.503	-	-	-	772.025
Investment in Subsidiaries (net)	-	7.300	7.300	-	-	-	-
Investment in Joint ventures (net)	18.649	18.386	-	-	-	-	18.386
Lease Receivables	10.260.804	10.311.724	10.311.724	-	-	-	-
Derivative Financial Assets Held For Hedging	1.756.611	1.756.611	-	1.756.611	-	-	-
Property And Equipment (Net)	1.206.103	2.611.849	2.513.026	-	-	-	98.823
Intangible Assets (Net)	1.726.387	1.682.226	35.562	-	-	-	1.646.664
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	339.565	68.080	68.080	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	209.854	209.854	209.854	-	-	-	-
Other Assets	5.560.140	5.751.749	5.751.749	-	-	-	-
TOTAL ASSETS	**317.525.813**	**320.066.118**	**311.220.846**	**15.562.255**	**-**	**2.526.448**	**2.839.095**
Liabilities							
Deposits	182.810.013	173.383.633	-	-	-		173.383.633
Derivative Financial Liabilities Held for Trading	3.820.705	3.820.705	-	3.820.705	-	2.166.204	-
Funds Borrowed	41.967.491	42.350.053	-	-	-	-	42.350.053
Money Markets	6.625.828	16.056.140	-	9.426.381	-	-	6.629.759
Marketable Securities Issued	23.475.608	23.277.871	-	-	-	-	23.277.871
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	15.412.298	12.754.229	-	-	-	-	12.754.229
Other Liabilities	-	1.941.826	-	-	-	-	1.941.826
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	312.778	312.778	-	312.778	-	-	-
Provisions	2.325.726	5.482.503	-	-	-	-	5.482.503
Tax Liability	272.220	865.750	-	-	-	-	865.750
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	9.718.804	9.718.804	-	-	-	-	9.718.804
Shareholder's Equity	30.784.342	30.101.826	-	-	-	-	30.101.826
TOTAL LIABILITIES	**317.525.813**	**320.066.118**	**-**	**13.559.864**	**-**	**2.166.204**	**306.506.254**

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3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory Consolidation	382.543.794	366.529.649	-	10.889.480	5.124.665
2	Liabilities carrying value amount under regulatory scope of consolidation	2.994.251	-	-	8.633.324	(5.639.073)
3	**Total net amount under regulatory scope of consolidation**	**385.538.045**	**366.529.649**	**-**	**19.522.804**	**(514.408)**
4	**Off-Balance Sheet Amounts**	**161.631.451**	**55.415.555**	**-**	**-**	**-**
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences resulted from the BRSA'a applications		-	-	-	3.386.799
9	Differences due to risk reduction		(1.954.077)	-	(12.654.845)	-
	Risk Amounts		**419.991.127**	**-**	**6.867.959**	**2.872.391**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory Consolidation	329.309.549	311.220.846	-	15.562.255	2.526.448
2	Liabilities carrying value amount under regulatory scope of consolidation	11.393.660	-	-	13.559.864	(2.166.204)
3	**Total net amount under regulatory scope of consolidation**	**340.703.209**	**311.220.846**	**-**	**29.122.119**	**360.244**
4	**Off-Balance Sheet Amounts**	**187.695.499**	**55.187.102**	**-**	**-**	**-**
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences resulted from the BRSA'a applications		-	-	-	1.430.043
9	Differences due to risk reduction		(1.547.393)	-	(19.966.072)	-
	Risk Amounts		**364.860.555**	**-**	**9.156.047**	**1.790.287**

3.2.3. Disclosures regarding differences between exposures valued in accordance with TAS and risk exposures:

Main difference between amounts reported in financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of TAS in the framework of legal consolidation is that non-financial subsidiaries are not included in consolidation in scope of legal consolidation.

Group's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Group uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Group's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on credit risk

3.3.1. General information regarding credit risk

3.3.1.1. General qualitative information regarding credit risk

Credit risk states risk and losses resulting from a situation in which the Group cannot fulfil its liability through not complying with the contract requirements of the opposite party. The Group determines a separate credit limit for each of the customers through taking legal legislation into account and internal rating system, financial analysis reports, sectoral concentration and credit policies, which are approved annually by the Board of Directors of the Parent Bank, into consideration for limit allocations. Limits, allocated by the Board of Directors of the Bank for each opposite bank are daily tracked by Treasury Management in treasury transactions such as forward exchanges with correspondent banks and domestic banks and it is also systemically controlled whether the positions taken daily by the officers of Treasury Management, who are authorized to make transactions on the market, are in the range of determined limits or not. Liquid collaterals are prioritized in credit allocations within the framework of sector opportunities. Long term projections of companies are centrally analyzed for long term credit allocations and credits provided for project financing and pricing of interest risk is made for the commitments in question in coordination with treasury management.

Separate internal rating systems are used for small and medium sized enterprises (SMEs) and corporate and commercial customers at the Parent Bank. The rating system used for SME customers gives an opportunity to determine credit approval authorization levels. By this means, firms, having lower rating grades are directed to upper authorization levels while firms, having higher rating grades, are directed to lower authorization levels and risk based optimization is aimed in credit processes.

The Parent Bank uses score card to evaluate new applications for individual credits and credit card customers and management of application and limit management of current customers. Score card system is developed internally and updated and approved periodically.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook and aligned with the Unicredit Group rules to the maximum possible extent.

Credit Policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customers's worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 3 sub units.

Commercial Credit Risk Management is responsible for monitoring the design, development and implementation of probability of default (PD), exposure at default (EAD), loss given default (LGD) models which are in the scope of IRB communique (issued by BRSA - using internal rating based approach for credit risk calculations) and providing the design, development and implementation of all models to be developed under the scope of standards that have been specified for corporate customer segments.

Retail Credit Risk Management is responsible for the development of the models and strategies that ensures efficient management of the credits for Banks growth targets and implementation of such strategies and models in rating and decision support systems.

Basel II Program Management and Credit Risk Control Unit Section is responsible for active participation to the model development process and providing opinion as the last authority monitoring the performance of the rating systems and preparation of regular analysis based on the results, maintainance of proper running of the rating systems, leadership of the activities performed to close the gaps, information to BRSA and related parties in the Bank about the changes on the rating systems, maintainance of the implementation of the models in the Bank's processes in line with BRSA requirements, management of the IRB transition period and submission of necessary documents and monitoring the related projects.

Risk Reporting Control and Operational Risk Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the bank for the related topics. The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals .The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

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İSEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification,reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

3.3.1.2. Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairements**	**Net values**
1	Loans	13.300.362	236.199.162	14.531.568	234.967.956
2	Debt Securities	-	49.749.420	98.820	49.650.600
3	Off-balance sheet exposures	1.079.128	150.514.908	866.322	150.727.714
4	**Total**	**14.379.490**	**436.463.490**	**15.496.710**	**435.346.270**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairements**	**Net values**
1	Loans	9.615.028	213.897.773	10.551.862	212.960.939
2	Debt Securities	-	38.599.904	-	38.599.904
3	Off-balance sheet exposures	944.029	211.949.447	357.209	212.536.267
4	**Total**	**10.559.057**	**464.447.124**	**10.909.071**	**464.097.110**

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3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	Prior Period
1	**Defaulted loans and debt securities at end of the previous reporting period**	**10.559.057**	**10.201.408**
2	Loans and debt securities that have defaulted since the last reporting period	8.504.919	3.437.257
3	Returned to non-defaulted status	912.790	70.342
4	Amounts written off	2.516.488	1.628.561
5	Other changes	(1.255.208)	(1.380.705)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**14.379.490**	**10.559.057**

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- for which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- for which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- for which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are identified as 'non-performing loans" and classified under default accounts. Specific provisions are calculated for these loans by coverage ratios which aside by policy after collateral deduction. There is no difference between "impaired loans" and "loans subject to provisioning" in the bank. All loans with 90 days overdue are subject to specific provisioning.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1. Exposures provisioned against by major regions:

	Current Period	Prior Period
Domestic	308.195.342	280.313.593
USA,Canada	2.135.230	3.149.500
European Union (EU) Countries	6.802.617	5.916.796
OECD Countries	2.442.738	1.488.369
Off-Shore Banking Regions	795	250
Other Countries	5.373.635	4.136.585
Total	**324.950.356**	**295.005.093**

[1] Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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3.3.1.4.2. Exposures provisioned against by major sectors [(1)]:

	Current Period	Prior Period
Agricultural	**7.263.746**	**3.168.478**
Farming and raising livestock	5.208.646	2.525.036
Forestry	1.489.187	336.686
Fishing	565.913	306.756
Manufacturing	**134.796.477**	**115.031.974**
Mining and Quarrying	3.017.705	4.535.883
Production	86.836.061	78.056.190
Electricity, Gas, Water	44.942.711	32.439.901
Construction	**53.868.180**	**41.200.320**
Services	**57.653.086**	**60.479.727**
Wholesale and retail trade	10.982.055	18.431.897
Hotel, food and beverage services	8.223.653	8.541.323
Transportation and telecommunication	13.271.749	10.337.245
Financial institutions	9.929.862	10.318.858
Real estate and leasing services	4.797.382	4.710.404
Education services	345.130	320.700
Health and social services	10.103.255	7.819.300
Other	**71.368.866**	**75.124.594**
Total	**324.950.356**	**295.005.093**

(1) Breakdown of cash loans, non cash loans and non performing loans by sector is as in the above table.

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities is explained Note VII of Section 4.

3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note II of Section 4.

3.3.1.4.5. Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 12.901.556 (December 31, 2017- TL 8.913.820) has been set aside for the risk at an amount of TL 9.301.872 (December 31, 2017- TL 6.872.595).

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3.3.1.4.6. Aging analysis for overdue receivables [1]:

	Current Period	Prior Period
31-60 days overdue	1.710.601	1.561.781
61-90 days overdue	1.273.724	940.399
Other	30.641.657	5.406.392
Total	**33.625.982**	**7.908.572**

[1] Overdue receivables represent over due of cash loans.

3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

	Current Period
Loans restructured from Loans and other receivables under close monitoring	4.742.251
Loans restructured from Loans under legal follow-up	2.513.294
Total	**7.255.545**

	Prior Period
Loans restructured from Standard Loans and Other Receivables	3.490.562
Loans restructured from Loans and other receivables under close monitoring	2.208.273
Loans restructured from Loans under legal follow-up	334.452
Total	**6.033.287**

3.3.1.4.8. Informations related to expected credit losses for loans:

	Stage 1	Stage 2	Stage 3	Total
Begining of the period (1 January 2018)	**1.904.788**	**626.032**	**8.393.414**	**10.924.234**
Additions	326.059	2.822.981	6.541.279	9.690.319
Disposals	(687.289)	(400.228)	(2.918.142)	(4.005.659)
NPL sales	-	-	(2.015.868)	(2.015.868)
Write offs	-	-	(500.620)	(500.620)
Transfer to stage 1	53.213	(47.453)	(5.760)	-
Transfer to stage 2	(338.584)	385.924	(47.340)	-
Transfer to stage 3	(30.432)	(58.787)	89.219	-
Exchage differences	89.619	313.572	35.971	439.162
End of the period	**1.317.374**	**3.642.041**	**9.572.153**	**14.531.568**

3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Parent Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Parent Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements, the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

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3.3.2.2. Credit risk mitigation techniques - overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	169.831.073	65.136.883	37.917.685	12.559.374	9.177.350	-	-
Debt securities	49.650.600	-	-	-	-	-	-
TOTAL	**219.481.673**	**65.136.883**	**37.917.685**	**12.559.374**	**9.177.350**	**-**	**-**
Of which defaulted	2.249.667	1.478.542	385.677	199.034	46.465	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	165.645.053	47.315.886	33.738.112	8.868.731	8.124.409	-	-
Debt securities	38.599.904	-	-	-	-	-	-
TOTAL	**204.244.957**	**47.315.886**	**33.738.112**	**8.868.731**	**8.124.409**	**-**	**-**
Of which defaulted	1.361.586	894.319	319.730	68.444	50.471	-	-

3.3.3. Credit risk under standardised approach

3.3.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

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Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions: Remaining maturity of claims under 3 months	Claims on banks and intermediary institutions: Remaining maturity of claims over 3 months	Claims on corporates
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

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3.3.3.2. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	99.290.012	4.396	108.364.155	371.306	10.952.189	10,07%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	89.350	133.970	89.346	54.812	144.158	100%
4	Exposures to multilateral development banks	68.586	19.796	68.587	10.033	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	15.329.908	5.865.150	15.479.580	3.028.160	9.818.985	53,05%
6	Exposures to institutions	136.949.760	100.024.831	131.486.410	43.075.587	172.882.250	99,04%
7	Exposures to corporates	71.105.253	53.117.435	65.439.425	7.307.338	54.560.072	75,00%
8	Retail exposures	9.514.269	100.901	9.514.269	47.078	3.346.472	35,00%
9	Exposures secured by residential property	17.197.592	2.047.900	17.197.592	1.354.737	9.276.164	50,00%
10	Exposures secured by commercial real estate	3.711.332	136.233	3.662.715	82.188	3.243.909	86,62%
11	Past-due loans	16.877	180.839	16.783	84.316	150.361	148,73%
12	Higher-risk categories by the Agency Board	2.567	-	2.567	-	1.459	56,84%
13	Investments in equities	250.738	-	250.738	-	250.738	100,00%
14	Other assets	13.003.405	-	13.003.405	-	7.362.162	56,62%
	TOTAL	**366.529.649**	**161.631.451**	**364.575.572**	**55.415.555**	**271.988.919**	**64,76%**

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	Prior Period	Exposures before C CF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	76.160.602	755.191	85.666.700	769.675	10.325.812	11,95%
2	Exposures to regional governments or local authorities	-	920	-	184	37	20,11%
3	Exposures to public sector entities	172.745	101.193	171.502	43.281	83.212	38,74%
4	Exposures to multilateral development banks	135.158	10.544	135.158	6.066	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	11.541.797	4.243.618	11.738.223	2.025.271	6.226.348	45,24%
6	Exposures to institutions	116.001.002	127.899.646	110.748.564	38.809.920	148.252.893	99,13%
7	Exposures to corporates	70.962.560	52.044.227	64.544.947	12.279.976	57.618.695	75,00%
8	Retail exposures	10.609.461	291.189	10.609.461	138.631	3.761.832	35,00%
9	Exposures secured by residential property	14.990.741	1.304.289	14.990.741	849.540	7.920.140	50,00%
10	Exposures secured by commercial real estate	2.207.237	521.817	2.155.329	128.215	2.315.099	101,38%
11	Past-due loans	50.017	522.865	49.984	136.343	277.368	148,86%
12	Higher-risk categories by the Agency Board	94.843	-	94.843	-	47.101	49,66%
13	Investments in equities	412.275	-	412.275	-	412.275	100,00%
14	Other assets	8.355.726	-	8.355.726	-	5.222.937	62,51%
	TOTAL	**311.694.164**	**187.695.499**	**309.673.453**	**55.187.102**	**242.463.749**	**66,45%**

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3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

	Current Period												
	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	97.783.273	-	-	-	-	-	10.952.188	-	-	-	-	108.735.461
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	144.158	-	-	-	-	144.158
4	Exposures to multilateral development banks	78.619	-	-	-	-	-	-	-	-	-	-	78.619
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	6.670.505	-	6.705.507	-	5.130.924	804	-	-	-	18.507.740
6	Exposures to institutions	-	-	470.454	-	2.606.760	-	171.484.784	-	-	-	-	174.561.998
7	Exposures to corporates	-	-	-	-	-	72.746.763	-	-	-	-	-	72.746.763
8	Retail exposures	-	-	-	9.561.347	-	-	-	-	-	-	-	9.561.347
9	Exposures secured by residential property	-	-	-	-	18.552.329	-	-	-	-	-	-	18.552.329
10	Exposures secured by commercial real estate	-	-	-	-	1.503.849	-	1.739.192	501.862	-	-	-	3.744.903
11	Past-due loans	-	-	-	-	741	-	1.094	99.264	-	-	-	101.099
12	Higher-risk categories by the Agency Board	351	-	670	-	442	-	1.104	-	-	-	-	2.567
13	Investments in equities	-	-	-	-	-	-	250.738	-	-	-	-	250.738
14	Other assets	5.562.874	-	97.961	-	-	-	7.342.570	-	-	-	-	13.003.405
	Total	**103.425.117**	**-**	**7.239.590**	**9.561.347**	**29.369.628**	**72.746.763**	**197.046.752**	**601.930**	**-**	**-**	**-**	**419.991.127**

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	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	76.110.564	-	-	-	-	-	10.325.811	-	-	-	-	86.436.375
2	Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	184
3	Exposures to public sector entities	-	-	164.464	-	-	-	50.319	-	-	-	-	214.783
4	Exposures to multilateral development banks	141.224	-	-	-	-	-	-	-	-	-	-	141.224
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	6.278.011	-	5.029.475	-	2.456.008	-	-	-	-	13.763.494
6	Exposures to institutions	-	-	686.431	-	1.512.889	-	147.359.164	-	-	-	-	149.558.484
7	Exposures to corporates	-	-	-	-	-	76.824.923	-	-	-	-	-	76.824.923
8	Retail exposures	-	-	-	10.748.092	-	-	-	-	-	-	-	10.748.092
9	Exposures secured by residential property	-	-	-	-	15.840.281	-	-	-	-	-	-	15.840.281
10	Exposures secured by commercial real estate	-	-	-	-	664.043	-	892.351	727.150	-	-	-	2.283.544
11	Past-due loans	-	-	-	-	1.122	-	2.003	183.202	-	-	-	186.327
12	Higher-risk categories by the Agency Board	6.966	-	18.661	-	51.695	-	17.521	-	-	-	-	94.843
13	Investments in equities	-	-	-	-	-	-	412.275	-	-	-	-	412.275
14	Other assets	2.988.701	-	180.105	-	-	-	5.186.920	-	-	-	-	8.355.726
	Total	**79.247.455**	**-**	**7.327.856**	**10.748.092**	**23.099.505**	**76.824.923**	**166.702.372**	**910.352**	**-**	**-**	**-**	**364.860.555**

3.4. Explanation on counterparty credit risk

3.4.1. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

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Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE[(1)]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	4.358.273	1.629.821	-	1,40	5.965.825	4.126.047
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					541.461	231.720
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.357.767**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[(1)]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	5.000.262	2.784.839	-	1,40	7.771.124	4.139.563
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					1.384.923	574.541
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.714.104**

[(1)] Effective expected positive exposure

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3.4.3. Credit valuation adjustment (CVA) capital charge

		Current Period		Prior period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	6.507.286	2.507.402	9.156.047	3.137.756
	Total amount of CVA capital adequacy	**6.507.286**	**2.507.402**	**9.156.047**	**3.137.756**

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3.4.4. Standardised approach - CCR exposures by regulatory portfolio and risk weights

	Current Period										
	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk[1]
1	Central governments and central banks receivables	-	-	-	-	-	-	5.466	-	-	5.466
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	946.064	-	3.109.371	-	9.207	-	-	4.064.642
6	Corporate receivables	-	-	-	-	-		2.757.969	-	-	2.757.969
7	Retail receivables	-	-	-	-	-	7.403	-	-	-	7.403
8	Mortgage receivables	-	-	-	-	32.479	-	-	-	-	32.479
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**946.064**	**-**	**3.141.850**	**7.403**	**2.772.642**	**-**	**-**	**6.867.959**

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	Prior Period										
	Risk Weights/Risk Classes	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk[1]**
1	Central governments and central banks receivables	129.784	-	-	-	-	-	15.718	-	-	145.502
2	Local governments and municipalities receivables	-	-	190	-	-	-	-	-	-	190
3	Administrative and non commercial receivables	-	-	2	-	-	-	-	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.989.359	-	5.587.916	-	235.575	-	-	7.812.850
6	Corporate receivables	-	-	183	-	240	-	1.340.318	-	-	1.340.741
7	Retail receivables	-	-	-	-	-	8.413	-	-	-	8.413
8	Mortgage receivables	-	-	-	42	55.536	-	-	-	-	55.578
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**129.784**	**-**	**1.989.734**	**42**	**5.643.692**	**8.413**	**1.591.611**	**-**	**-**	**9.363.276**

[1] Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

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3.4.5. Composition of collateral for CCR exposure

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Current Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	-	243	-	-	1.269.049	-
2	Cash - Foreign Currency	-	4.082	-	-	-	-
3	Domestic sovereign debts	-	-	-	-	-	1.379.051
4	Other collateral	-	17.944	-	-	-	-
	Total	**-**	**22.269**	**-**	**-**	**1.269.049**	**1.379.051**

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Prior Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	-	816	-	-	8.788.764	-
2	Cash - Foreign Currency	-	4.606	-	-	480.327	-
3	Domestic sovereign debts	-	-	-	-	-	9.678.127
4	Other collateral	-	8.555	-	-	-	-
	Total	**-**	**13.977**	**-**	**-**	**9.269.091**	**9.678.127**

3.4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	157.000	-
Index credit default swaps	-	-	-	-
Total return swaps	-	8.115.956	-	4.618.063
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**8.115.956**	**157.000**	**4.618.063**
Rediscount Amount	**-**	**(346.698)**	**1.358**	**92.985**
Positive Rediscount Amount		10.579	1.358	92.985
Negative Rediscount Amount		(357.277)	-	-

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3.4.7. Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**103.615**		**56.141**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	360.673	180.567	207.229	103.615
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-		-	
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		**-**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on consolidated market risk

3.6.1. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Group on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

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Market risks that the Group is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Group is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Group implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Group; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

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3.6.2. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
	Outright products		
1	Interest rate risk (general and specific)	1.143.514	1.307.097
2	Equity risk (general and specific)	11.275	76.925
3	Foreign exchange risk	1.676.327	182.581
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	41.275	223.684
7	Scenario approach	-	-
8	Securitisation	-	-
	Total	**2.872.391**	**1.790.287**

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2017, 2016 and 2015 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29111 dated September 6, 2014, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2018, the total amount subject to operational risk is TL 20.973.958 (December 31, 2017 - TL 18.068.782) and the amount of the related capital requirement is TL 1.677.917 (December 31, 2017 - TL 1.445.503).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	9.455.891	11.465.876	12.636.566	11.186.111	15,00%	1.677.917
Amount subject to operational risk (Total*12,5)						**20.973.958**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	7.988.285	9.455.891	11.465.876	9.636.684	15,00%	1.445.503
Amount subject to operational risk (Total*12,5)						**18.068.782**

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3.8. Interest rate risk arising from banking accounts:

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2018, based on the significant currencies of the Bank.

		Current Period		Prior Period	
Currency	Applied shock (+/- x basis points)	Gains/Losses	Gains/SE-Losses/SE	Gains/Losses	Gains/SE-Losses/SE
TRY	(+)500 bp	(2.066.411)	(4,59)%	(3.185.735)	(8,80)%
TRY	(-)400 bp	1.918.554	4,26%	3.039.566	8,40%
EUR	(+)200 bp	(97.759)	(0,22)%	(38.967)	(0,11)%
EUR	(-)200 bp	110.571	0,25%	(1.774)	0,00%
USD	(+)200 bp	172.203	(0,38)%	(14.025)	(0,04)%
USD	(-)200 bp	7.013	0,02%	177.156	0,49%
Total (For negative shocks)		**2.036.137**	**4,52%**	**3.214.948**	**8,88%**
Total (For positive shocks)		**(1.991.967)**	**(4,43)%**	**(3.238.727)**	**(8,95)%**

4. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

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The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate	**5,2609**	**6,0280**
First day current bid rate	5,2889	6,0245
Second day current bid rate	5,2832	6,0185
Third day current bid rate	5,3034	6,0419
Fourth day current bid rate	5,2926	6,0291
Fifth day current bid rate	5,2746	6,0342
Arithmetic average of the last 31 days:	**5,2970**	**6,0303**
Evaluation rate as of December 31, 2017:	**3,7719**	**4,5155**

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Information on currency risk of the Group:

	EUR	USD	Other FC[4]	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	22.092.908	13.484.633	4.497.296	40.074.837
Banks	2.808.262	2.088.805	134.898	5.031.965
Financial assets at fair value through profit or loss	7.536	213.642	-	221.178
Money market placements	12.056	-	-	12.056
Financial assets at fair value through other comprehensive income	908.031	2.584.899	540.278	4.033.208
Loans [1]	53.838.321	55.842.143	1.763.297	111.443.761
Investments in associates, subsidiaries and joint ventures	-	-	784.140	784.140
Financial assets measured at amortised cost	1.153.991	8.684.381	-	9.838.372
Hedging derivative financial assets	100.276	280.160	-	380.436
Tangible assets	2.038	-	16.754	18.792
Other assets [2]	3.048.697	3.429.690	524.346	7.002.733
Total assets	**83.972.116**	**86.608.353**	**8.261.009**	**178.841.478**
Liabilities				
Bank deposits	927.538	3.598.056	52.100	4.577.694
Foreign currency deposits	39.760.587	69.714.615	3.495.602	112.970.804
Funds from money market	912.493	401.800	-	1.314.293
Funds borrowed from other financial institutions	29.121.788	16.452.348	168.270	45.742.406
Marketable securities issued	1.152.236	16.325.258	64.348	17.541.842
Miscellaneous payables	2.342.402	358.611	31.660	2.732.673
Hedging derivative financial liabilities	38.791	29.720	-	68.511
Other liabilities[3]	809.442	22.402.748	28.475	23.240.665
Total liabilities	**75.065.277**	**129.283.156**	**3.840.455**	**208.188.888**
Net on balance sheet position	**8.906.839**	**(42.674.803)**	**4.420.554**	**(29.347.410)**
Net off balance sheet position[5]	**(8.649.898)**	**41.447.193**	**(3.030.744)**	**29.766.551**
Financial derivative assets	11.678.811	67.127.521	1.857.074	80.663.406
Financial derivative liabilities	20.328.709	25.680.328	4.887.818	50.896.855
Net position	**256.941**	**(1.227.610)**	**1.389.810**	**419.141**
Non-cash loans	**28.874.888**	**26.186.386**	**4.441.956**	**59.503.230**
Prior period				
Total assets	62.118.972	75.562.254	7.676.524	145.357.750
Total liabilities	59.423.436	106.991.565	3.223.331	169.638.332
Net on-balance sheet position	**2.695.536**	**(31.429.311)**	**4.453.193**	**(24.280.582)**
Net off-balance sheet position[5]	**(2.502.851)**	**31.509.469**	**(3.782.174)**	**25.224.444**
Financial derivative assets	13.280.501	92.012.170	2.872.164	108.164.835
Financial derivative liabilities	15.783.352	60.502.701	6.654.338	82.940.391
Net position	**192.685**	**80.158**	**671.019**	**943.862**
Non-cash loans	**23.039.874**	**25.396.253**	**3.920.074**	**52.356.201**

[1] Includes FX indexed loans amounting to TL 4.356.033 (December 31, 2017 - TL 5.895.865) which have been disclosed as TL in the financial statements.

[2] Does not include foreign currency prepaid expenses amounting to TL 291.474 (December 31, 2017 - TL 180.916).

[3] Does not include foreign currency other comprehensive income and expense under equity.

[4] Other FC column also includes gold balance.

[5] Forward transactions classified as commitments are also included.

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Currency risk sensitivity analysis:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

	Current Period	Prior Period
Change in currency exchange rates [1]	Profit/loss effect [2]	Profit/loss effect [1]
(+) 15%	(154.786)	(78.072)
(-) 15%	154.786	78.072

[1] Represents the balances of the Parent Bank.

[2] Excluding tax effect.

5. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/FC and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

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5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing[1]	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.927.180	-	-	-	-	29.904.128	**56.831.308**
Banks	1.054.624	788.121	1.506.119	84.687	-	1.836.012	**5.269.563**
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	179.813	**248.156**
Receivables from money markets	12.318	84.708	20.205	-	-	-	**117.231**
Financial assets at fair value through other comprehensive income	3.107.302	5.368.953	8.543.658	6.677.678	3.175.156	66.794	**26.939.541**
Loans [1]	39.696.958	34.672.686	76.379.072	73.130.920	12.319.526	(1.231.206)	**234.967.956**
Financial assets measured at amortised cost	4.328.097	2.591.160	2.419.269	3.586.492	9.880.661	-	**22.805.679**
Other assets	1.022.105	2.467.754	1.782.536	3.296.959	489.372	17.138.094	**26.196.820**
Total assets	**76.148.584**	**45.973.387**	**90.651.796**	**86.791.480**	**25.917.372**	**47.893.635**	**373.376.254**
Liabilities							
Bank deposits	8.826.637	337.899	230.691	-	-	1.012.074	**10.407.301**
Other deposits	115.485.681	36.179.812	10.339.682	2.577.490	195.126	35.106.381	**199.884.172**
Funds from money market	2.093.895	443.570	982.748	-	-	-	**3.520.213**
Miscellaneous payables	-	-	-	-	-	14.662.414	**14.662.414**
Marketable securities issued	680.654	5.088.792	3.257.971	9.870.672	2.544.114	-	**21.442.203**
Funds borrowed from other financial institutions	9.335.403	22.115.474	7.032.452	6.690.421	1.898.252	-	**47.072.002**
Other liabilities[2]	1.692.331	17.375.026	7.193.432	1.938.715	604.114	47.584.331	**76.387.949**
Total liabilities	**138.114.601**	**81.540.573**	**29.036.976**	**21.077.298**	**5.241.606**	**98.365.200**	**373.376.254**
Balance sheet long position	**-**	**-**	**61.614.820**	**65.714.182**	**20.675.766**	**-**	**148.004.768**
Balance sheet short position	**(61.966.017)**	**(35.567.186)**	**-**	**-**	**-**	**(50.471.565)**	**(148.004.768)**
Off-balance sheet long position	13.237.750	31.963.808	-	-	-	-	45.201.558
Off-balance sheet short position	-	-	(3.722.500)	(33.959.108)	(7.726.791)	-	(45.408.399)
Total position	**(48.728.267)**	**(3.603.378)**	**57.892.320**	**31.755.074**	**12.948.975**	**(50.471.565)**	**(206.841)**

[1] Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.

[2] Shareholders' equity is presented under "Non interest bearing"

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing[1]	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.310.693	-	-	-	-	18.141.277	42.451.970
Banks	2.228.405	962.918	378.192	-	-	1.267.697	4.837.212
Financial assets at fair value through profit/loss	1.288.265	1.446.905	732.989	456.707	266.772	38.442	4.230.080
Money market placements	817.005	-	-	-	-	-	817.005
Available-for-sale financial assets	2.919.646	4.497.489	6.552.573	7.178.172	3.095.993	252.651	24.496.524
Loans	35.840.806	28.636.612	64.250.098	59.321.829	11.824.722	2.124.720	201.998.787
Held-to-maturity investments	1.274.198	1.617.022	2.551.131	1.166.133	7.588.582	-	14.197.066
Other assets	2.576.869	2.563.465	3.170.180	7.116.493	947.801	10.662.666	27.037.474
Total assets	**71.255.887**	**39.724.411**	**77.635.163**	**75.239.334**	**23.723.870**	**32.487.453**	**320.066.118**
Liabilities							
Bank deposits	7.323.732	918.218	374.006	180.657	-	636.676	9.433.289
Other deposits	100.218.389	21.934.939	8.864.874	1.495.220	168.085	31.268.837	163.950.344
Funds from money market	14.863.333	1.023.972	168.835	-	-	-	16.056.140
Miscellaneous payables	-	-	-	-	-	12.754.229	12.754.229
Marketable securities issued	1.020.721	9.701.148	3.222.011	7.399.208	1.934.783	-	23.277.871
Funds borrowed from other financial institutions	11.723.277	10.596.151	11.324.147	6.843.545	1.862.933	-	42.350.053
Other liabilities[1]	1.191.465	860.765	982.538	4.694.916	6.131.340	38.383.168	52.244.192
Total liabilities	**136.340.917**	**45.035.193**	**24.936.411**	**20.613.546**	**10.097.141**	**83.042.910**	**320.066.118**
Balance sheet long position	**-**	**-**	**52.698.752**	**54.625.788**	**13.626.729**	**-**	**120.951.269**
Balance sheet short position	**(65.085.030)**	**(5.310.782)**	**-**	**-**	**-**	**(50.555.457)**	**(120.951.269)**
Off-balance sheet long position	12.080.130	24.294.289	-	-	-	-	36.374.419
Off-balance sheet short position	-	-	(3.383.971)	(27.300.898)	(7.175.587)	-	(37.860.456)
Total position	**(53.004.900)**	**18.983.507**	**49.314.781**	**27.324.890**	**6.451.142**	**(50.555.457)**	**(1.486.037)**

[1] Shareholders' equity is presented under "Non-interest bearing"

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5.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets[1]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,99	-	17,58
Banks	1,55	1,85	-	22,81
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Receivables from money markets	0,01	-	-	26,93
Financial assets at fair value through other comprehensive income	4,10	5,46	-	18,65
Loans	4,90	7,40	5,15	19,46
Financial assets measured at amortised cost	2,82	5,42	-	18,23
Liabilities [1]				
Bank deposits	1,24	2,71	-	24,46
Other deposits	1,94	4,27	1,85	22,13
Funds from money market	0,10	4,46	-	22,69
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,16	5,10	-	19,69
Funds borrowed from other financial institutions	1,87	4,44	2,64	16,41

Prior Period	EURO	USD	Yen	TL
	%	%	%	%
Assets[1]				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	9,98
Banks	1,92	1,61	-	12,36
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,03
Available-for-sale financial assets	4,02	5,32	-	13,05
Loans	4,33	6,43	4,98	14,15
Held-to-maturity investments	1,67	5,35	-	13,35
Liabilities [1]				
Bank deposits	0,96	1,66	-	13,00
Other deposits	1,59	3,41	1,66	13,42
Funds from money market	0,47	2,85	-	13,01
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,77	4,66	-	14,00
Funds borrowed from other financial institutions	1,51	3,07	2,64	8,16

[1] Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank doesn't function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Parent Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 56% of total liabilities of the Bank (December 31, 2017 - 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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The Parent Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Parent Bank. In addition to the Bank LKO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on weekly simple arithmetic averages

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	Unweighted Amounts		Weighted Amounts	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.363.955	44.615.297
Cash Outflows				
Retail and Small Business Customers Deposits	117.062.064	56.132.353	10.549.624	5.613.177
Stable deposits	23.131.651	1.161	1.156.583	58
Less stable deposits	93.930.413	56.131.192	9.393.041	5.613.119
Unsecured Funding other than Retail and Small Business Customers Deposits	91.519.027	56.615.062	50.542.765	28.231.119
Operational deposits	-	-	-	-
Non-Operational deposits	70.939.732	49.721.502	32.717.588	21.338.775
Other Unsecured funding	20.579.295	6.893.560	17.825.177	6.892.344
Secured funding	-	-	70.039	69.517
Other Cash Outflows	9.572.692	16.589.239	9.572.692	16.589.239
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.572.692	16.589.239	9.572.692	16.589.239
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	95.711.522	67.934.687	4.785.576	3.396.734
Other irrevocable or conditionally revocable commitments	78.407.939	17.588.666	6.129.908	1.277.846
Total Cash Outflows			**81.650.604**	**55.177.632**
Cash Inflows				
Secured Lending Transactions	-	-	467	-
Unsecured Lending Transactions	35.311.991	19.588.304	26.372.518	16.764.278
Other contractual cash inflows	2.183.137	18.712.637	2.183.137	18.712.637
Total Cash Inflows	**37.495.128**	**38.300.940**	**28.556.122**	**35.476.915**
			Capped Amounts	
Total High Quality Liquid Assets			**72.363.955**	**44.615.297**
Total Net Cash Outflows			**53.094.483**	**19.700.717**
Liquidity Coverage Ratio (%)			**136,29**	**226,47**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	December 21, 2018	October 5, 2018	October 12, 2018	December 21, 2018
Ratio (%)	159,71	122,64	228,13	148,69

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	Unweighted Amounts		Weighted Amounts	
Previous Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			53.021.956	33.801.377
Cash Outflows				
Retail and Small Business Customers Deposits	89.425.852	38.790.605	7.996.187	3.879.021
Stable deposits	20.127.975	770	1.066.399	38
Less stable deposits	69.297.877	38.789.835	6.929.788	3.878.983
Unsecured Funding other than Retail and Small Business Customers Deposits	73.090.818	39.353.588	42.257.373	20.681.500
Operational deposits	-	-	-	-
Non-Operational deposits	54.744.574	34.700.478	26.379.618	16.041.016
Other Unsecured funding	18.346.244	4.653.110	15.877.755	4.640.484
Secured funding			99.619	75.988
Other Cash Outflows	2.738.736	16.955.309	2.738.736	16.955.309
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.738.736	16.955.309	2.738.736	16.955.309
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	101.640.533	74.133.944	5.082.027	3.706.697
Other irrevocable or conditionally revocable commitments	68.214.017	9.586.970	5.056.909	650.347
Total Cash Outflows			**63.230.851**	**45.948.862**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.919.538	10.698.139	19.026.494	8.885.738
Other Contractual Cash Inflows	1.465.832	23.273.539	1.465.832	23.273.539
Total Cash Inflows	**29.385.370**	**33.971.678**	**20.492.326**	**32.159.277**
			Capped Amounts	
Total High Quality Liquid Assets			**53.021.956**	**33.801.377**
Total Net Cash Outflows			**42.678.526**	**13.789.585**
Liquidity Coverage Ratio (%)			**124,24**	**245,12**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 6, 2017	October 13, 2017	November 24, 2017	November 24, 2017
Ratio (%)	132,30	112,17	296,53	133,98

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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 [1][2]	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	35.929.162	20.902.146	-	-	-	-	-	56.831.308
Banks	1.836.012	1.054.624	788.121	1.506.119	84.687	-	-	5.269.563
Financial assets at fair value through profit or loss	2.566	-	5	937	14.744	52.657	177.247	248.156
Receivables from money markets	-	12.318	84.708	20.205	-	-	-	117.231
Financial assets at fair value through other comprehensive income	-	123.890	252.440	2.071.473	17.315.740	7.109.204	66.794	26.939.541
Loans[1]	-	39.794.367	24.630.893	56.655.823	92.486.004	22.632.075	(1.231.206)	234.967.956
Financial assets measured at amortised cost	-	-	121.228	182.369	6.924.030	15.578.052	-	22.805.679
Other assets	4.610.671	425.450	1.403.142	2.732.501	4.189.241	778.279	12.057.536	26.196.820
Total assets	**42.378.411**	**62.312.795**	**27.280.537**	**63.169.427**	**121.014.446**	**46.150.267**	**11.070.371**	**373.376.254**
Liabilities								
Bank deposits	1.012.074	8.826.637	337.899	230.691	-	-	-	10.407.301
Other deposits	35.106.381	115.485.681	36.179.812	10.339.682	2.577.490	195.126	-	199.884.172
Funds borrowed from other financial institutions	-	4.979.945	5.825.175	23.060.083	9.615.649	3.591.150	-	47.072.002
Funds from money market	-	2.093.895	443.570	982.748	-	-	-	3.520.213
Marketable securities issued	-	680.654	1.796.903	3.631.951	12.463.623	2.869.072	-	21.442.203
Miscellaneous payables	1.104.594	12.854.674	240.543	178.483	-	-	284.120	14.662.414
Other liabilities[2]	3.729.768	1.104.590	10.390.352	7.957.842	6.965.495	4.850.293	41.389.609	76.387.949
Total liabilities	**40.952.817**	**146.026.076**	**55.214.254**	**46.381.480**	**31.622.257**	**11.505.641**	**41.673.729**	**373.376.254**
Net liquidity gap	**1.425.594**	**(83.713.281)**	**(27.933.717)**	**16.787.947**	**89.392.189**	**34.644.626**	**(30.603.358)**	**-**
Net Off-Balance Sheet Position	**-**	**(902.831)**	**277.849**	**105.446**	**(359.509)**	**672.204**	**-**	**(206.841)**
Derivative Financial Assets	-	48.551.700	19.488.079	30.856.012	67.131.478	35.775.387	-	201.802.656
Derivative Financial Liabilities	-	49.454.531	19.210.230	30.750.566	67.490.987	35.103.183	-	202.009.497
Non-Cash Loans	**-**	**3.400.820**	**8.544.541**	**29.612.655**	**13.710.204**	**6.209.286**	**24.307.073**	**85.785.189**
Prior Period								
Total assets	17.962.578	68.336.143	25.920.067	57.867.451	100.157.626	39.717.971	10.104.282	320.066.118
Total liabilities	34.885.551	138.433.810	31.060.939	35.430.384	30.562.707	14.659.896	35.032.831	320.066.118
Liquidity gap	**(16.922.973)**	**(70.097.667)**	**(5.140.872)**	**22.437.067**	**69.594.919**	**25.058.075**	**(24.928.549)**	**-**
Net Off-Balance Sheet Position	**-**	**(39.758)**	**(695.253)**	**(757.568)**	**238.808**	**(232.266)**	**-**	**(1.486.037)**
Derivative Financial Assets	-	55.513.608	40.938.729	39.537.030	52.729.207	22.461.674	-	211.180.248
Derivative Financial Liabilities	-	55.553.366	41.633.982	40.294.598	52.490.399	22.693.940	-	212.666.285
Non-Cash Loans	**-**	**2.723.038**	**8.573.550**	**28.219.034**	**11.357.744**	**4.504.619**	**23.473.430**	**78.851.415**

[1] Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.

[2] Shareholders' equity is presented in the "Unclassified" column.

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Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	161.540.983	37.838.275	11.319.874	2.595.039	195.126	213.489.297
Funds borrowed from other financial institutions	5.082.465	6.125.162	24.127.513	12.611.773	6.752.919	54.699.832
Funds from money market	2.111.549	446.183	1.003.309	-	-	3.561.041
Subordinated loans	-	204.319	622.570	13.598.201	3.189.421	17.614.511
Marketable securities issued	958.512	2.495.592	3.860.371	13.298.497	3.020.060	23.633.032
Total	**169.693.509**	**47.109.531**	**40.933.637**	**42.103.510**	**13.157.526**	**312.997.713**

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	140.182.673	22.457.141	9.462.133	1.385.188	1.614.526	175.101.661
Funds borrowed from other financial institutions	3.189.053	4.151.957	22.121.615	17.626.315	8.276.882	55.365.822
Funds from money market	14.910.780	1.005.980	168.835	-	-	16.085.595
Subordinated loans	-	141.647	446.133	6.090.660	6.524.937	13.203.377
Marketable securities issued	1.078.651	1.510.477	3.791.898	17.183.426	2.110.435	25.674.887
Total	**159.361.157**	**29.267.202**	**35.990.614**	**42.285.589**	**18.526.780**	**285.431.342**

[1] Maturities of non-cash loans are described in Note 3 of Section VI.

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8. Explanations on consolidated leverage ratio:

The main reason for the increase in leverage ratio for the current period is the increase in Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period[2]	Prior Period[2]
1	Total assets in the consolidated financial statements prepared in accordance with TAS[1]	377.436.485	309.328.383
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.274.785	2.100.914
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.916.012	3.950.590
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(6.370.030)	(6.787.912)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(15.747.074)	(27.545.631)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(8.483.428)	(2.164.440)
7	Total Risks	549.163.000	521.671.690

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

(2) The arithmetic average of the last 3 months in the related periods.

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		Current Period[1]	Prior Period[1]
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	368.518.621	304.383.598
2	(Asset amounts deducted in determining Tier 1 capital)	(5.976.314)	(3.890.154)
3	Total on-Balance sheet exposures	362.542.307	300.493.444
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	2.699.516	2.392.792
5	Potential credit risk of derivative financial instruments and credit derivatives	4.916.012	3.950.590
6	Total derivative financial instruments and credit derivatives exposure	7.615.528	6.343.382
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	470.170	211.588
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	470.170	211.588
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	194.282.069	242.168.907
11	(Adjustments for conversion to credit equivalent amounts)	(15.747.074)	(27.545.631)
12	Total risk of off-balance sheet items	178.534.995	214.623.276
	Capital and total exposure		
13	Tier 1 capital	34.298.597	26.481.586
14	Total exposures	549.163.000	521.671.690
15	**Leverage ratio (%)**	**6,26**	**5,08**

(1) The arithmetic average of the last 3 months in the related periods.

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9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book value	Fair value
	Current period	Current period
Financial assets	**290.099.970**	**298.752.135**
Due from money market	117.231	117.231
Banks	5.269.563	5.280.916
Financial assets at fair value through other comprehensive income	26.939.541	26.939.541
Financial assets measured at amortised cost	22.805.679	27.598.896
Loans	234.967.956	238.815.551
Financial liabilities	**306.701.462**	**306.324.184**
Bank deposits	10.407.301	10.407.301
Other deposits	199.884.172	199.842.689
Funds borrowed from other financial institutions	47.072.002	46.902.531
Subordinated loans	13.557.153	13.596.916
Marketable securities issued	21.442.203	21.363.593
Miscellaneous payables	14.662.414	14.662.414

	Book value	Fair value
	Prior Period	Prior Period
Financial assets	**246.346.594**	**253.474.789**
Due from money market	817.005	817.005
Banks	4.837.212	4.839.937
Available-for-sale financial assets	24.496.524	24.496.524
Held-to-maturity investments	14.197.066	14.109.664
Loans	201.998.787	209.211.659
Financial liabilities	**261.484.590**	**261.538.853**
Bank deposits	9.433.289	9.445.379
Other deposits	163.950.344	164.229.229
Funds borrowed from other financial institutions	42.350.053	41.953.431
Subordinated loans	9.718.804	9.821.399
Marketable securities issued	23.277.871	23.331.523
Miscellaneous payables	12.754.229	12.757.892

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

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TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	77.634	170.522	-	248.156
Financial assets where fair value change is reflected to other comprehensive income statement	24.988.310	1.942.952	-	26.931.262
Derivative financial assets	-	9.067.984	-	9.067.984
Total assets	**25.065.944**	**11.181.458**	**-**	**36.247.402**
Derivative financial liabilities	-	7.287.749	-	7.287.749
Financial liabilities at fair value through profit or loss	-	7.965.404	-	7.965.404
Total liabilities	**-**	**15.253.153**	**-**	**15.253.153**

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	**102.563**	**4.127.517**	**-**	**4.230.080**
Government debt securities	56.980	-	-	56.980
Share certificates	38.442	-	-	38.442
Trading derivative financial assets	-	4.127.517	-	4.127.517
Other marketable securities	7.141	-	-	7.141
Available-for-sale financial assets	**22.582.493**	**1.906.416**	**-**	**24.488.909**
Government debt securities	22.487.650	-	-	22.487.650
Other marketable securities[(1)]	94.843	1.906.416	-	2.001.259
Hedging derivative financial assets	**-**	**1.756.611**	**-**	**1.756.611**
Total assets	**22.685.056**	**7.790.544**	**-**	**30.475.600**
Trading derivative financial liabilities	-	3.820.705	-	3.820.705
Marketable securities issued[(2)]	-	4.929.709	-	4.929.709
Hedging derivative financial liabilities	-	312.778	-	312.778
Total liabilities	**-**	**9.063.192**	**-**	**9.063.192**

(1) As of December 31, 2018, non-listed share certificates accounted in accordance with TFRS 9 at cost amounted TL 8.279 is not included. (31 December 2017 - TL 7.615).

(2) Includes some financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9 paragraph 9.

The Group classify its buildings carried at their fair value within property and equipment under level 3.

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10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2018:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is clasified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is clasified under " Derivative financial assets at fair value through other comprehensive income " if the fair value is negative, it is clasified under "Derivative financial liabilities at fair value through other comprehensive income ".

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2018 of these hedging instruments are presented in the table below:

		Current Period			Prior Period	
	Notional[1]	Asset	Liability	Notional[1]	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	46.404.018	3.169.086	611.406	35.070.052	1.688.395	107.567
Cross currency interest rate swap (FVH)	2.215.979	80.703	313.994	1.615.006	68.216	205.211
Total	**48.619.997**	**3.249.789**	**925.400**	**36.685.058**	**1.756.611**	**312.778**

[1] Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 48.640.730 (December 31, 2017 - TL 37.197.244) the total notional of derivative financial assets amounting to TL 97.260.727 (December 31, 2017 - TL 73.882.302) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3. Part 4.

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10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39- Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below;

Current Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/ losses)[3]
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	20.740

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item[1]	Net fair value of the hedging instrument[2]		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/ losses)[3]
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	23.425	-	204.859	19.091

[1] The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

[2] The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

[3] The ineffective portion of the mentioned hedging transaction is TL 31.652 loss (December 31 2017- TL 1.439 loss).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

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The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

10.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds[1]	Net gain/(loss) reclassified to equity[2][3]
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	3.169.086	611.406	1.743.304	906.613

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds[1]	Net gain/(loss) reclassified to equity[2][3]
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

[1] Includes deferred tax impact.

[2] Includes tax and foreign exchange differences.

[3] The ineffective portion of the mentioned hedging transaction is TL 41.508 income (December 31, 2017 - TL - 6.987 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

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The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2018 is EUR 430 million (December 31, 2017 - EUR 410 million).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

12. Explanations on consolidated operating segments:

The Group carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking and Private Banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card. Through its Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset - Liability Management and other operations, mainly consist of treasury managemet's results, operations of supporting business units and other unallocated transactions.

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The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Major balance sheet and income statement items based on operating segments:

Current Period	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments (1)	Total operations of the Group
Operating revenue continuing	8.141.407	6.573.989	385.713	1.008.084	3.806.771	(9.206)	19.906.758
Operating expenses continuing	(5.278.402)	(5.225.362)	(157.034)	(392.913)	(2.944.742)	9.206	(13.989.247)
Net operating income continuing	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**862.029**	**-**	**5.917.511**
Dividend income (2)	-	-	-	-	14.567	-	14.567
Income/Loss from Investments accounted based on equity method(2)	-	-	-	-	115.817	-	115.817
Profit before tax	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**992.413**	**-**	**6.047.895**
Tax expense(2)	-	-	-	-	(1.380.357)	-	(1.380.357)
Net period income from continuing operations	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**(387.944)**	**-**	**4.667.538**
Minority interest (-)	-	-	-	-	(112)	-	(112)
Group income/loss	**2.863.005**	**1.348.627**	**228.679**	**615.171**	**(388.056)**	**-**	**4.667.426**
Segment assets	80.911.357	125.801.320	14.332.022	19.849.689	134.540.954	(3.140.521)	372.294.821
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.081.433	-	1.081.433
Total assets	**80.911.357**	**125.801.320**	**14.332.022**	**19.849.689**	**135.622.387**	**(3.140.521)**	**373.376.254**
Segment liabilities	172.116.780	76.729.909	11.470.565	16.998.446	60.193.797	(3.140.521)	334.368.976
Shareholders' equity	-	-	-	-	39.007.278	-	39.007.278
Total liabilities	**172.116.780**	**76.729.909**	**11.470.565**	**16.998.446**	**99.201.075**	**(3.140.521)**	**373.376.254**

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Prior Period [3]	Retail banking	Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments [1]	Total operations of the Group
Operating revenue continuing	4.863.194	3.191.097	314.472	703.199	4.616.185	(7.084)	13.681.063
Operating expenses continuing	(4.593.375)	(1.105.333)	(132.915)	(278.224)	(3.075.445)	7.217	(9.178.075)
Net operating income continuing	**269.819**	**2.085.764**	**181.557**	**424.975**	**1.540.740**	**133**	**4.502.988**
Dividend income [2]	-	-	-	-	10.726	-	10.726
Income/Loss from Investments accounted based on equity method[2]	-	-	-	-	87.612	-	87.612
Profit before tax	**269.819**	**2.085.764**	**181.557**	**424.975**	**1.639.078**	**133**	**4.601.326**
Tax expense [2]	-	-	-	-	(987.168)	-	(987.168)
Net period income from continuing operations	**269.819**	**2.085.764**	**181.557**	**424.975**	**651.910**	**133**	**3.614.158**
Minority interest (-)	-	-	-	-	(77)	-	(77)
Group income/loss	**269.819**	**2.085.764**	**181.557**	**424.975**	**651.833**	**133**	**3.614.081**
Segment assets	80.176.176	102.108.817	10.313.957	20.087.720	110.165.690	(3.588.456)	319.263.904
Investments in associates, subsidiaries and joint ventures	-	-	-	-	802.214	-	802.214
Total assets	**80.176.176**	**102.108.817**	**10.313.957**	**20.087.720**	**110.967.904**	**(3.588.456)**	**320.066.118**
Segment liabilities	104.782.107	61.810.968	8.274.543	17.565.319	101.119.318	(3.587.963)	289.964.292
Shareholders' equity	-	-	-	-	30.101.826	-	30.101.826
Total liabilities	**104.782.107**	**61.810.968**	**8.274.543**	**17.565.319**	**131.221.144**	**(3.587.963)**	**320.066.118**

[1] Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

[2] Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

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Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1 Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.443.460	3.443.030	1.563.328	998.685
The CBRT[1]	15.313.011	35.417.868	6.032.373	33.445.287
Other	-	1.213.939	-	412.297
Total	**16.756.471**	**40.074.837**	**7.595.701**	**34.856.269**

[1] The balance of gold amounting to TL 4.233.215 is accounted for under the Central Bank foreign currency account (December 31, 2017 - TL 4.948.751).

1.1.2 Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount [1]	8.416.404	21.436.238	1.914.852	8.868.143
Time unrestricted amount	6.896.607	-	4.117.521	-
Time restricted amount	-	-	-	745.058
Reserve requirement[2]	-	13.981.630	-	23.832.086
Total	**15.313.011**	**35.417.868**	**6.032.373**	**33.445.287**

[1] The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

[2] The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2017 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	940.093	133	398.063	474
Swap transactions	3.909.672	664.415	3.073.713	459.241
Futures transactions	-	-	-	-
Options	256.107	47.662	137.137	58.049
Other	72	41	813	27
Total	**5.105.944**	**712.251**	**3.609.726**	**517.791**

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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]	-	80.703	67.028	1.188
Cash flow hedges [1]	2.869.353	299.733	1.520.914	167.481
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.869.353**	**380.436**	**1.587.942**	**168.669**

[1] Explained in Note 10 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	231.581	1.877.059	68.359	1.834.979
Foreign[1]	6.017	3.154.906	13.524	2.920.350
Head quarters and branches abroad	-	-	-	-
Total	**237.598**	**5.031.965**	**81.883**	**4.755.329**

[1] The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 15.594 (December 31, 2017 -TL 11.102).

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	1.296.679	1.372.016	329.230	-
USA, Canada	1.176.416	1.253.333	242.192	240.327
OECD countries [1]	19.495	32.322	-	-
Off-shore banking regions	196	355	-	-
Other	18.529	35.522	78.186	-
Total	**2.511.315**	**2.693.547**	**649.608**	**240.327**

[1] OECD countries except EU countries, USA and Canada.

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2018 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 1.292.400 and subject to repo transactions amounts to TL 959.438.

Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2017 available-for-sale financial assets given as collateral/blocked amount to TL 4.502.947 and subject to repo transactions amounts to TL 6.937.612.

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1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	27.926.090
Quoted on stock exchange [1]	27.662.947
Not quoted	263.143
Share certificates	112.232
Quoted on stock exchange	213
Not quoted	112.019
Impairment provision (-)[2]	1.098.781
Total	**26.939.541**

[1] As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from financial assets at fair value through other comprehensive income to financial assets measured at amortised cost.

[2] Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

Information on available-for-sale financial assets:

	Current Period
Debt securities	24.476.615
Quoted on stock exchange	24.029.378
Not quoted	447.237
Share certificates	203.244
Quoted on stock exchange	133
Not quoted	203.111
Impairment provision (-)[1]	278.059
Other[2]	94.724
Total	**24.496.524**

[1] Includes the negative differences between the acquisition cost and the market price and the impairment provisions, if any, related to the securities portfolio.

[2] Other available-for-sale financial assets consist of investment funds.

1.7. Explanations on loans:

1.7.1 Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	**-**	**-**	**-**	**-**
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**90.240**	**1.351.956**	**23.229**	**1.358.830**
Loans granted to employees	**172.230**	**510**	**157.969**	**569**
Total	**262.470**	**1.352.466**	**181.198**	**1.359.399**

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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:

		Loans under close monitoring		
			Loans under restructuring	
Cash Loans	**Standard loans**	**Not under the scope of restructuring**	**Modifications on agreement conditions**	**Refinancing**
Non-specialized loans	**187.788.769**	**28.017.803**	**2.011.092**	**2.731.159**
Loans given to enterprises	87.945.294	23.013.463	1.719.198	439.522
Export loans	16.105.964	493.536	88.368	199.867
Import loans	-	-	-	-
Loans given to financial sector	4.155.448	-	-	-
Consumer loans	30.676.654	1.327.987	20.848	597.628
Credit cards	26.336.206	1.180.774	-	497.668
Other[1]	22.569.203	2.002.043	182.678	996.474
Specialized loans	**-**	**-**	**-**	**-**
Other receivables	**14.784.411**	**865.928**	**-**	**-**
Total	**202.573.180**	**28.883.731**	**2.011.092**	**2.731.159**

[1] Fair value differences of the hedged items amounting to TL 27.214 are classified in other loans as explained in Note 10, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.317.374	-
Significant increase in credit risk	-	3.642.041
Total	**1.317.374**	**3.642.041**

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	-	4.521.342
Extended by 3,4 or 5 times	-	215.923
Extended by more than 5 times	-	4.986
Total	**-**	**4.742.251**

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	533.138
6 - 12 Months	-	561.709
1 - 2 Years	-	778.584
2 - 5 Years	-	2.019.555
5 Years and over	-	849.265
Total	**-**	**4.742.251**

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1.7.3. Loans according to their maturity structure:

		Loans under close monitoring	
	Standard loans	Not under the scope of restructuring	Agreement conditions modified
Short-term loans	66.126.619	3.424.680	393.489
Medium and long-term loans	136.446.561	25.459.051	4.348.762
Total	**202.573.180**	**28.883.731**	**4.742.251**

1.7.4. Information on loans by types and specific provisions

1.7.4.1 Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	130.775.909	30.676.654	26.336.206	11.586.324	3.198.087	202.573.180
Watch list	29.135.149	1.946.463	1.678.442	645.155	220.773	33.625.982
Loans under legal follow-up	10.071.226	1.358.436	1.156.509	543.984	170.207	13.300.362
Specific provisions (-)	7.512.095	884.225	598.582	433.729	143.522	9.572.153
Total	**162.470.189**	**33.097.328**	**28.572.575**	**12.341.734**	**3.445.545**	**239.927.371**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	136.797.865	33.559.109	23.999.186	9.986.409	3.664.159	208.006.728
Watch list	4.194.521	967.131	356.255	202.260	170.878	5.891.045
Loans under legal follow-up	5.868.992	1.850.001	1.444.591	340.768	110.676	9.615.028
Specific provisions (-)	4.371.011	1.470.045	1.197.808	217.713	102.546	7.359.123
Total	**142.490.367**	**34.906.196**	**24.602.224**	**10.311.724**	**3.843.167**	**216.153.678**

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1.7.4.2 Specific provisions on loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
31.12.2017 Close out balance	**4.371.011**	**1.470.045**	**1.197.808**	**217.713**	**102.546**	**7.359.123**
TFRS 9 Remeasurement	817.283	74.606	24.086	116.910	1.406	1.034.291
Opening balance	**5.188.294**	**1.544.651**	**1.221.894**	**334.623**	**103.952**	**8.393.414**
Allowance for impairment	4.827.156	1.054.740	515.075	99.106	45.202	6.541.279
Amount recovered during the period (-)	1.522.233	817.874	536.796	-	5.120	2.882.023
Loans written off during the period as uncollectible (-)	999.858	911.908	604.210	-	512	2.516.488
Exchange difference	18.736	14.616	2.619	-	-	35.971
December 31	**7.512.095**	**884.225**	**598.582**	**433.729**	**143.522**	**9.572.153**

PriorPeriod	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**3.472.056**	**1.805.842**	**1.392.684**	**6.670.582**
Allowance for impairment	1.490.630	682.900	508.361	2.681.891
Amount recovered during the period (-)	316.054	247.195	124.613	687.862
Loans written off during the period as uncollectible (-)	275.396	773.853	579.312	1.628.561
Subsidiary sales	(5.852)	(859)	-	(6.711)
Exchange difference	5.627	3.210	688	9.525
December 31	**4.371.011**	**1.470.045**	**1.197.808**	**7.038.864**

1.7.4.3. Fair value of colleterals:

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	18.506.067	311.152	-	285.410	-	19.102.629
Loans under legal follow-up	4.074.692	138.469	-	498.385	-	4.711.546
Total	**22.580.759**	**449.621**	**-**	**783.795**	**-**	**23.814.175**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	8.283.959	988.733	-	336.250	-	9.608.942
Loans under legal follow-up	1.157.265	94.729	-	341.611	-	1.593.605
Total	**9.441.224**	**1.083.462**	**-**	**677.861**	**-**	**11.202.547**

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1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	**473.087**	**29.981.289**	**30.454.376**
Real estate loans	4.669	12.422.683	12.427.352
Automotive loans	32.050	498.082	530.132
Consumer loans	436.368	17.060.524	17.496.892
Other	-	-	-
Consumer loans-FC indexed	**-**	**17.343**	**17.343**
Real estate loans	-	17.228	17.228
Automotive loans	-	-	-
Consumer loans	-	115	115
Other	-	-	-
Consumer loans-FC	**17.328**	**73.588**	**90.916**
Real estate loans	737	20.728	21.465
Automotive loans	71	873	944
Consumer loans	8.520	45.361	53.881
Other	8.000	6.626	14.626
Individual credit cards-TL	**18.709.708**	**696.650**	**19.406.358**
With installments	9.268.992	306.266	9.575.258
Without installments	9.440.716	390.384	9.831.100
Individual credit cards-FC	**57.723**	**31.689**	**89.412**
With installments	39.169	31.689	70.858
Without installments	18.554	-	18.554
Personnel loans-TL	**5.521**	**55.009**	**60.530**
Real estate loans	-	2.189	2.189
Automotive loans	42	254	296
Consumer loans	5.479	52.566	58.045
Other	-	-	-
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	**226**	**699**	**925**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	226	699	925
Other	-	-	-
Personnel credit cards-TL	**106.042**	**324**	**106.366**
With installments	49.791	269	50.060
Without installments	56.251	55	56.306
Personnel credit cards-FC	**645**	**272**	**917**
With installments	325	272	597
Without installments	320	-	320
Credit deposit account-TL (Real Person)[1]	**1.999.013**	**-**	**1.999.013**
Credit deposit account-FC (Real Person)	**14**	**-**	**14**
Total	**21.369.307**	**30.856.863**	**52.226.170**

[1] TL 3.492 of the credit deposit account belongs to the loans used by personnel.

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1.7.6. Information on commercial installment loans and corporate credit cards:

	Short- term	Medium and long-term	Total
Commercial installments loans-TL	**1.177.414**	**13.597.991**	**14.775.405**
Business loans	2.142	1.477.184	1.479.326
Automotive loans	90.743	827.280	918.023
Consumer loans	1.084.529	11.293.527	12.378.056
Other	-	-	-
Commercial installments loans-FC indexed	**1.768**	**147.211**	**148.979**
Business loans	-	9.071	9.071
Automotive loans	-	34.429	34.429
Consumer loans	1.768	103.711	105.479
Other	-	-	-
Corporate credit cards-TL	**8.406.137**	**4.336**	**8.410.473**
With installment	4.784.244	786	4.785.030
Without installment	3.621.893	3.550	3.625.443
Corporate credit cards-FC	**1.122**	**-**	**1.122**
With installment	-	-	-
Without installment	1.122	-	1.122
Credit deposit account-TL (legal person)	**1.269.065**		**1.269.065**
Credit deposit account-FC (legal person)	**-**	**-**	**-**
Total	**10.855.506**	**13.749.538**	**24.605.044**

1.7.7. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Public	1.959.146	1.781.807
Private	234.240.016	198.092.260
Total	**236.199.162**	**199.874.067**

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period
Domestic loans	228.447.608
Foreign loans	7.751.554
Total	**236.199.162**

	Prior Period
Domestic loans	196.689.796
Foreign loans	3.184.271
Total	**199.874.067**

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1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	8.537	8.523
Indirect loans granted to associates and subsidiaries	-	-
Total	**8.537**	**8.523**

1.7.10. Information on credit-impaired (Stage 3):

	Current Period
Loans and other receivables with limited collectability	1.210.885
Loans and other receivables with doubtful collectability	1.703.093
Uncollectible loans and other receivables	6.658.175
Total	**9.572.153**

Specific provisions provided against loans:

	Prior Period
Loans and other receivables with limited collectability	120.985
Loans and other receivables with doubtful collectability	560.094
Uncollectible loans and other receivables	6.357.785
Total	**7.038.864**

1.7.11. Information on non-performing loans (net):

1.7.11.1 Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	**631.516**	**626.207**	**884.188**
Restructured loans	631.516	626.207	884.188
Prior Period			
(Gross amounts before specific reserves)	**10.849**	**55.493**	**150.698**
Restructured loans	10.849	55.493	150.698

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1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period[1]	**1.005.936**	**1.557.121**	**7.069.127**
Additions (+)	5.891.203	510.223	1.968.394
Transfers from other categories of non-performing loans (+)	-	3.643.005	2.749.963
Transfer to other categories of non-performing loans (-)	3.643.005	2.749.963	-
Collections (-)	334.161	294.108	1.656.948
FX valuation differences	795	35.658	63.610
Write-offs (-)[2]	-	-	500.620
Sold (-)	-	-	2.015.868
Corporate and commercial loans	-	-	499.186
Consumer loans	-	-	911.908
Credit cards	-	-	604.210
Other	-	-	564
Current Period	**2.920.768**	**2.701.936**	**7.677.658**
Specific provision (-)	1.210.885	1.703.093	6.658.175
Net balance on balance sheet	**1.709.883**	**998.843**	

[1] Prior period balance includes non-performing loans from leasing transactions and factoring receivables amounting 468.600 TL.

[2] As of 21 December 2018, Ojer Telekomünikasyon A.Ş. loan amounting to TL 488.217 is written off from the assets.

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 2.014.893 to a selection of asset management companies for a total amount of TL 105.172.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	1.305.753	1.360.289	1.050.266
Specific provision (-)	426.159	842.942	947.762
Net balance on-balance sheet	**879.594**	**517.347**	**102.504**
Prior Period			
Period end balance	53.880	48.666	848.664
Specific provision (-)	49.030	46.852	792.037
Net balance on-balance sheet	**4.850**	**1.814**	**56.627**

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1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current Period (net)	**1.709.883**	**998.843**	**1.019.483**
Loans granted to real persons and corporate entities (gross)	2.920.768	2.701.936	7.564.487
Provision amount (-)	1.210.885	1.703.093	6.545.004
Loans granted to real persons and corporate entities (net)	1.709.883	998.843	1.019.483
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.988
Provision amount (-)	-	-	83.988
Other loans (Net)	-	-	-
Prior Period (net)	**759.660**	**983.521**	**381.539**
Loans granted to real persons and corporate entities (gross)	880.645	1.543.615	6.626.153
Specific provision amount (-)	120.985	560.094	6.244.614
Loans granted to real persons and corporate entities (Net)	759.660	983.521	381.539
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	**63.343**	**54.249**	**9.997**
Interest accruals and rediscounts and valuation differences	226.817	261.143	92.601
Provision amount (-)	163.474	206.894	82.604
Prior Period (net)			
Interest accruals and rediscounts and valuation differences	-	-	-
Provision amount (-)	-	-	-

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected as "loans and other receivables with limited collectability" and "loans and other receivables with doubtful collectability" by restructuring and/or voluntary payments and liquidation of collaterals through legal follow-up.

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1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

1.8. Information on financial assets at amortized cost:

1.8.1. Information on Financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2018 financial assets measured at amortised cost given as collateral/blocked amounts to TL 9.738.610 and subject to repo transactions amounts to TL 862.058.

Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

As of December 31, 2017 held-to-maturity investments given as collateral / blocked amounts to TL 7.759.071. The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.740.515.

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period
Government bond	22.044.650
Treasury bill	-
Other debt securities	761.029
Total	**22.805.679**

Information on government debt securities held-to-maturity:

	Prior Period
Government bond	13.346.581
Treasury bill	-
Other debt securities	850.485
Total	**14.197.066**

1.8.3. Information on financial assets measured at amortized cost:

	Current Period
Debt securities	23.446.720
Quoted on stock exchange	23.446.720
Not quoted	-
Impairment provision (-)[1]	641.041
Total	**22.805.679**

[1] Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

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Information on investment securities held-to-maturity:

	Prior Period
Debt securities	14.574.865
Quoted on stock exchange	14.574.865
Not quoted	-
Impairment provision (-)[1]	377.799
Total	**14.197.066**

[1] Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period
Beginning balance	**14.197.066**
Foreign currency differences on monetary assets[1]	4.794.227
Purchases during year	4.065.376
Transfers[2]	1.998.350
Disposals through sales and redemptions	1.985.886
Impairment provision (-)[3]	263.454
Period end balance	**22.805.679**

[1] Also includes the changes in the interest income accruals.

[2] As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been clasified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost".

[3] Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

Movement of held-to-maturity investments within the period:

	Prior Period
Beginning balance	**11.588.890**
Foreign currency differences on monetary assets[1]	837.591
Purchases during year	3.231.152
Disposals through sales and redemptions	1.381.405
Impairment provision (-)[2]	79.162
Period end balance	**14.197.066**

[1] Also includes the changes in the interest income accruals.

[2] Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu[1]	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş.[1]	Istanbul/Türkiye	9,98	9,98

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1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	310.511	204.375	181.219	10.965	-	34.818	36.919	-
2	102.191	64.697	48.891	2.117	-	15.603	6.983	-

(1) Financial statement information disclosed above shows September 30, 2018 results.

1.9.3. Consolidated investments in associates:

1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)(1)
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

(1) The other shareholders represent the consolidated Group companies.

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	19.434.759	2.731.457	20.827	379.913	87.904	153.142	113.033	-
2	1.598.880	597.337	97.512	231.983	-	270.477	213.557	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**772.025**	**664.614**
Movements during the period	**274.842**	**107.411**
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	113.038	87.340
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries(1)	201.522	57.558
Impairment provision (-)(2)	39.718	37.487
Balance at the end of the period	**1.046.867**	**772.025**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes dividend income received in the current period.

(2) Includes the differences in the other comprehensive income related with the equity method accounting

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1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	784.140	529.384
Insurance companies	262.727	242.641
Total financial investments	**1.046.867**	**772.025**

1.9.8. Investments in associates quoted on stock exchange: None.

1.10. Information on subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in Capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	93.423	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	44.291	(1.385)	(2.143)	(936)	-
Other comprehensive income that will be classified under profit or loss	39	-	-	-	1.310.466
Legal Reserves	66.052	8.034	79.305	25.420	-
Extraordinary Reserves	225.863	39.717	659.399	-	634.531
Other Profit Reserves	-	-	-	-	-
Income or Loss	30.306	199.981	1.275.987	36.014	155.325
Current Year Income/Loss	100.252	98.223	331.168	36.014	155.325
Prior Years' Income/Loss	(69.946)	101.758	944.819	-	-
Leasehold improvements (-)	350	251	-	232	262
Intangible assets (-)	29.014	3.353	8.769	609	675
Total core capital	**529.528**	**303.457**	**2.176.603**	**65.364**	**2.211.827**
Supplementary capital	**22.996**	**10.010**	**69.902**	**-**	**65.434**
Capital	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	**552.524**	**313.467**	**2.246.505**	**65.364**	**2.277.261**

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2018.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

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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 Unconsolidated subsidiaries:

1.10.2.1 Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	İstanbul/Türkiye	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3	Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	38.754	28.421	1.680	31	-	2.013	5.487	-
2	44.956	32.116	4.843	4.146	-	3.888	2.343	-
3	16.147	12.641	886	1.617	-	4.267	2.115	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi NV [1]	Amsterdam/Nederlands	67,24	100,00
7	Yapı Kredi Azerbaycan	Bakü/Azerbaijan	99,80	100,00
8	Yapı Kredi Malta	St.Julian/Malta	-	100,00

[1] Includes the balances for Stiching Custody Services YKB.

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

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1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	233.177	232.935	-	-	-	153	(967)	-	-
2	3.452.901	558.892	49.951	260.716	10.135	100.252	87.434	-	-
3	3.412.806	307.061	4.068	422.082	-	98.223	43.004	-	-
4	13.169.905	2.185.372	9.872	938.651	-	331.168	244.241	-	-
5	80.364	66.205	1.026	9.019	-	36.014	38.076	-	-
6	11.850.813	2.212.764	1.706	705.660	19.280	155.325	100.403	-	-
7	1.352.943	267.814	41.326	76.193	10.726	11.936	21.011	-	-
8	1.115.542	368.395	1.688	26.061	744	4.202	3.992	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**4.800.064**	**4.225.724**
Movements during the period	**1.171.190**	**574.340**
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	707.668	529.252
Sales (-) [1]	-	247.343
Revaluation (decrease) / increase [2], [3]	511.903	396.485
Impairment provision (-)[4]	48.381	104.054
Balance at the end of the period	**5.971.254**	**4.800.064**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

[1] Group has concluded the sale of 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000 in 2017.

[2] Includes the differences in the other comprehensive income of consolidated subsidiaries.

[3] Includes the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense.

[4] 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	1.755.210	1.243.843
Insurance companies	-	-
Factoring companies	306.915	222.753
Leasing companies	2.185.240	1.966.487
Finance companies	-	-
Other financial subsidiaries	1.723.889	1.366.981
Total financial subsidiaries	**5.971.254**	**4.800.064**

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1.10.6. Subsidiaries quoted on stock exchange:

None.

1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	94.315	79.107	23.239	71.076	7.894	58.943	49.224
Total			**94.315**	**79.107**	**23.239**	**71.076**	**7.894**	**58.943**	**49.224**

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.929.818	4.024.775	4.229.930	3.435.283
Between 1- 4 years	7.588.989	6.578.470	6.146.058	5.244.154
More than 4 years	1.803.181	1.628.234	1.810.826	1.632.287
Total	**14.321.988**	**12.231.479**	**12.186.814**	**10.311.724**

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.871.280	11.450.708	2.767.260	9.419.554
Unearned financial income from leases (-)	637.921	1.452.588	585.404	1.289.686
Amount of cancelled leases (-)	-	-	-	-
Total	**2.233.359**	**9.998.120**	**2.181.856**	**8.129.868**

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1.13. Information on on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	3.060.720	302.772	3.018	1.220.887	4.587.397
Accumulated depreciation (-)	952.228	293.713	2.493	727.114	1.975.548
Net book value	**2.108.492**	**9.059**	**525**	**493.773**	**2.611.849**
Current Period					
Net book value at beginning of the period	**2.108.492**	**9.059**	**525**	**493.773**	**2.611.849**
Additions[1]	546.637	521	115	308.995	856.268
Disposals (-), net	330	4	55	2.304	2.693
Reversal of impairment, net	17.123	-	53	34	17.210
Impairment (-)	-	-	-	-	-
Depreciation (-)	37.407	3.081	367	136.335	177.190
Foreign exchange differences,net	-	2.453	11	4.267	6.731
Net book value at end of the period	**2.634.515**	**8.948**	**282**	**668.430**	**3.312.175**
Cost at the end of the period	3.556.036	263.572	2.980	1.470.997	5.293.585
Accumulated depreciation at the period end (-)	921.521	254.624	2.698	802.567	1.981.410
Net book value	**2.634.515**	**8.948**	**282**	**668.430**	**3.312.175**

[1] Parent Bank had revaluation differences amounting to TL 545.509 for the property and equipment in tangible assets, on June 1, 2018.

As of December 31, 2018, the Parent Bank had total provision for impairment amounting to TL 207.255 (December 31, 2017 - TL 224.378) for the property and equipment.

1.14. Information on intangible assets

	Current Period	Previous Period
Net book value at the beginning of the period	**1.682.226**	**1.566.864**
Additions	244.086	259.736
Disposals (-), net	-	10.239
Transfer	-	-
Impairment provision reversal	-	-
Depreciation (-)	116.088	135.959
Translation differences	6.888	1.824
Net book value at the end of the period	**1.817.112**	**1.682.226**

1.15. Information on investment property:

None. (December 31, 2017 - None).

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1.16. Information on deferred tax asset

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Temporary differences	682.268	150.055	584.379	128.278
Pension fund provision	921.350	202.697	690.852	151.987
Valuation difference of securities portfolio	2.224.089	489.300	489.263	107.638
Subsidiaries, investment in associates and share certificates	122.186	26.881	122.117	26.866
Other	6.889.165	1.514.412	1.192.811	261.984
Total deferred tax asset	**10.839.058**	**2.383.345**	**3.079.422**	**676.753**
Derivative financial assets	(1.780.235)	(378.426)	(1.737.052)	(368.096)
Valuation difference of securities portfolio	(3.687.572)	(811.266)	(968.157)	(213.134)
Property, equipment and intangibles, net	(2.443.778)	(293.216)	(1.765.337)	(209.983)
Other	(813.381)	(198.212)	(265.087)	(57.504)
Total deferred tax liability	**(8.724.966)**	**(1.681.120)**	**(4.735.633)**	**(848.717)**
Deferred tax asset / (liability), net	**2.114.092**	**702.225**	**(1.656.211)**	**(171.964)**

There is a deferred tax asset amounting to TL 712.891 and deferred tax liability amounting to TL 10.666 as of December 31, 2018 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2017 - TL 53.314 deffered tax asset and TL 225.278 deferred tax liability).

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	**209.854**	**166.183**
Additions	159.194	154.214
Disposals (-), net	73.067	111.432
Impairment provision reversal	1.450	385
Impairment provision (-)	309	-
Translation differences	1.348	504
Net book value at the end of the period	**298.470**	**209.854**
Cost at the end of the period	307.586	222.369
Accumulated depreciation at the end of the period (-)	9.116	12.515
Net book value at the end of the period	**298.470**	**209.854**

As of December 31, 2018, the Group booked impairment provision on assets held for resale with an amount of TL 4.689 (December 31, 2017 - TL 5.961)

1.18. Information on other assets:

As of December 31, 2018, other assets do not exceed 10% of the total assets

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2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.650.198	2.165.456	36.823.863	8.313.437	1.333.258	877.060	1.160	56.164.432
Foreign currency deposits	20.093.087	13.142.080	63.479.684	4.779.280	4.687.717	5.014.165	-	111.196.013
Residents in Turkey	17.632.628	12.129.420	61.903.652	4.149.880	2.650.519	1.554.838	-	100.020.937
Residents abroad	2.460.459	1.012.660	1.576.032	629.400	2.037.198	3.459.327	-	11.175.076
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.891.404	7.599.008	10.354.409	1.784.661	993.821	62.283	-	26.685.586
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.012.074	7.465.716	1.492.358	297.604	135.375	4.174	-	10.407.301
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.728	4.413.177	482.447	270.743	28.239	4.174	-	5.212.508
Foreign banks	224.956	183.077	1.009.911	26.861	107.136	-	-	1.551.941
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**36.118.455**	**30.628.968**	**113.823.444**	**15.453.068**	**8.229.738**	**6.036.640**	**1.160**	**210.291.473**

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Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.797.877	2.360.382	35.134.409	1.472.504	190.818	150.872	967	46.107.829
Foreign currency deposits	15.860.217	15.973.319	42.352.407	5.158.608	6.940.090	3.624.464	-	89.909.105
Residents in Turkey	13.886.368	15.396.053	41.375.032	4.221.274	3.504.726	1.220.550	-	79.604.003
Residents abroad	1.973.849	577.266	977.375	937.334	3.435.364	2.403.914	-	10.305.102
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.499.106	7.865.606	7.794.055	637.070	448.428	301.136	-	24.545.401
Other institutions deposits	116.749	457.166	801.617	495.305	517	513	-	1.871.867
Precious metals vault	744.610	71.033	358.492	27.040	39.115	19.229	-	1.259.519
Bank deposits	636.676	5.338.543	2.599.859	374.986	483.220	5	-	9.433.289
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	5	-	3.060.279
Foreign banks	158.991	79.657	999.062	148.689	456.237	-	-	1.842.636
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	**31.905.513**	**32.066.052**	**89.046.715**	**8.165.516**	**8.102.641**	**4.096.229**	**967**	**173.383.633**

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
Saving deposits[(1)]	Current period	Prior period	Current period	Prior period
Saving deposits	26.749.561	23.637.528	29.414.866	22.558.092
Foreign currency savings deposit	12.217.306	9.714.974	39.666.935	27.176.316
Other deposits in the form of savings deposits	807.367	492.198	822.760	647.851
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

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2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	9.744	6.993
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	284.829	164.319
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	143.108	66	132.393	154
Swap transactions[1]	5.129.217	785.267	3.260.570	219.426
Futures transactions	-	-	-	-
Options	248.837	49.638	144.714	63.177
Other	5.347	869	-	271
Total	**5.526.509**	**835.840**	**3.537.677**	**283.028**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	313.994	-	205.148	63
Cash flow hedges [1]	542.895	68.511	95.187	12.380
Hedges for investments made in foreign countries	-	-	-	-
Total	**856.889**	**68.511**	**300.335**	**12.443**

[1] Explained in Note 8 of section 4

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	460.152
From domestic banks and institutions	1.319.479	1.653.153	1.751.398	1.155.868
From foreign banks, institutions and funds	10.117	44.089.253	541.432	38.441.203
Total	**1.329.596**	**45.742.406**	**2.292.830**	**40.057.223**

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2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.303.939	13.622.616	1.720.619	9.723.350
Medium and long-term	25.657	32.119.790	572.211	30.333.873
Total	**1.329.596**	**45.742.406**	**2.292.830**	**40.057.223**

2.3.3. Information on marketable securities issued

	Current Period	
	TL	FC
Bills	1.373.498	-
Asset backed securities(1)	-	3.835.712
Bonds	2.526.863	13.706.130
Total	**3.900.361**	**17.541.842**

	Prior Period	
	TL	FC
Bills	1.212.509	107.682
Asset backed securities(1)	-	8.278.912
Bonds	3.584.201	10.094.567
Total	**4.796.710**	**18.481.161**

(1) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2018, the total amount of financial liabilities classified as fair value through profit/loss is TL 7.965.404 (December 31, 2017 -TL 4.929.709) with an accrued interest income of TL 413.597 (December 31, 2017 - TL 123.051 expense) and with a fair value difference of TL 566.340 recognized in the income statement as an income (December 31, 2017 - TL 216.465 expense). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of December 31, 2018 are TL 8.115.956 (December 31, 2017: TL 4.618.063) for buy legs and TL 8.115.956 (December 31, 2017: TL 4.618.063) for sell legs with a fair value differences amounting to TL 346.698 liability (December 31, 2017 -TL 92.985 asset). The mentioned total return swaps have 9 year maturity in average.

2.4. Information on other liabilities:

As of December 31, 2018, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

None (December 31, 2017 - None).

2.5.2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches, cars and ATMs.

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2.6. Information on provisions:

2.6.1. Information on general provisions:

	Prior period
I. Provisions for first group loans and receivables	2.718.237
II. Provisions for second group loans and receivables	242.597
Provisions for non-cash loans	112.170
Other	337.801
Total	**3.410.805**

2.6.2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS 19- Employee Rights", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	5,65	4,95
Possibility of being eligible for retirement (%)	94,45	93,79

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.017,60 effective from January 1, 2019 (January 1, 2018 - full TL 5.001,76) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**400.547**	**129.510**
Changes during the period	65.569	53.918
Recognized in equity	52.110	259.779
Paid during the period	(54.968)	(41.923)
Foreign currency differences	-	(737)
Balance at the end of the period	**463.258**	**400.547**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 219.010 as of December 31, 2018 (December 31, 2017 - TL 183.832).

2.6.3. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2018, there is provision amounting TL 435 provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2017 - TL 27.135). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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2.6.4. Other provisions:

2.6.4.1. Information on other provisions:

	Current Period
Pension fund provision	921.350
Provisions on unindemnified non cash loans	762.204
Generic provisions on non cash loans	104.118
Provision on lawsuits	158.325
Provisions on credit cards and promotion campaigns related to banking services	54.311
Other	776.609
Total	**2.776.917**

	Prior Period
Pension fund provision	690.852
Provisions on unindemnified non cash loans	139.143
Provision on lawsuits	101.228
Provisions on credit cards and promotion campaigns related to banking services	44.497
Other	511.599
Total	**1.487.319**

2.6.5. Pension fund provision::

The Parent Bank provided provision amounting to TL 921.350 (December 31, 2017 - TL 690.852) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (charge)/benefit	230.498	122.846

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	2.871.022	2.371.855
- Pension benefits transferable to SSI	3.003.344	2.402.317
- Post employment medical benefits transferable to SSI	(132.322)	(30.462)
Fair value of plan assets	(1.949.672)	(1.681.003)
Provision for the actuarial deficit of the pension fund	**921.350**	**690.852**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

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Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	871.760	45	574.905	34
Government bonds and treasury bills	654.202	34	723.510	43
Premises and equipment	261.345	13	261.258	16
Other	162.365	8	121.330	7
Total	**1.949.672**	**100**	**1.681.003**	

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	665.364	255.616
Taxation of Marketable Securities	162.568	147.382
Property Tax	3.290	3.301
Banking Insurance Transaction Tax ("BITT")	164.713	137.588
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	14.119	10.173
Other	65.178	46.121
Total	**1.075.232**	**600.181**

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	485	722
Social security premiums - employer	545	807
Bank pension fund premiums - employee	20.558	17.263
Bank pension fund premiums - employer	21.210	17.802
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.467	1.232
Unemployment insurance - employer	2.935	2.465
Other	-	-
Total	**47.200**	**40.291**

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None. (December 31, 2017- None)

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2.9. Information on subordinated debt(1):

	Current Period		Prior Period	
	TP	YP	TP	YP
Debt instruments to be included in additional capital calculation	**-**	**-**	**-**	**-**
Subordinated loans	-	-	-	-
Subordinated debt	-	-	-	-
Debt instruments to be included in contribution capital calculation	**-**	**13.557.153**	**-**	**9.718.804**
Subordinated loans	-	5.574.724	-	3.996.099
Subordinated debt	-	7.982.429	-	5.722.705
Total	**-**	**13.557.153**	**-**	**9.718.804**

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	4.347.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

2.10.3. Information on the share capital increases during the period and the sources:

Capital increase date	Capital increase amount	Cash	Profit reserves subject to capital increase	Capital reservessubject to capital increase
June 29, 2018	4.100.000	4.100.000	-	-

The Bank increased its paid in capital by TL 4.100.000, fully paid in cash, from TL 4.347.051 to TL 8.447.051 within registered share capital ceiling of TL 10.000.000. (December 31, 2017 - None.)

2.10.4. Information on transfers from capital reserves to capital during the current period:

None. (December 31, 2017 - None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None. (December 31, 2017 - None).

2.10.6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

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2.10.7. Privileges on the corporate stock tors:

None. (December 31, 2017 - None).

2.10.8. Information on value increase fund of marketable securities:

	Current Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	**-**	**-**
Revaluation difference	-	-
Foreign currency difference	-	-
Financial assets at fair value through other comprehensive income[1]	**(1.485.889)**	**(290.416)**
Revaluation difference	(1.485.889)	(290.416)
Foreign currency differences	-	-
Total	**(1.485.889)**	**(290.416)**

[1] Includes tax effect related to foreign currency valuation differences in TL column.

	Prior Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	**-**	**-**
Valuation difference	-	-
Foreign currency difference	-	-
Available for sale securities[1]	**(445.780)**	**60.864**
Valuation differences	(445.780)	60.864
Foreign currency differences	-	-
Total	**(445.780)**	**60.864**

[1] Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	**541**	**502**
Current period income/(loss)	112	77
Dividends paid	(42)	(38)
Period ending balance	**611**	**541**

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	35.189.895	33.700.364
Loan granting commitments	12.360.621	10.125.035
Commitments for cheques	2.990.824	6.844.741
Other irrevocable commitments	15.267.507	83.371.921
Total	**65.808.847**	**134.042.061**

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3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 104.099 (December 31, 2017 - TL 112.170) and specific provision amounting to TL 1.079.128 (December 31, 2017 - TL 944.029) for non-cash loans which are not indemnified yet amounting to TL 762.204 (December 31, 2017 - TL 139.143).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	200.915	212.685
Letter of credits	11.192.813	11.527.886
Other guarantees and collaterals	7.923.230	6.811.093
Total	**19.316.958**	**18.551.664**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.300.681	2.273.465
Definite letter of guarantees	40.157.923	37.507.430
Advance letter of guarantees	11.080.557	9.606.133
Letter of guarantees given to customs	2.442.000	2.351.305
Other letter of guarantees	11.487.070	8.561.418
Total	**66.468.231**	**60.299.751**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	11.989.428	8.052.720
With original maturity of 1 year or less than 1 year	2.376.215	1.878.094
With original maturity of more than 1 year	9.613.213	6.174.626
Other non-cash loans	73.795.761	70.798.695
Total	**85.785.189**	**78.851.415**

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3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**324.600**	**1,24**	**3.467.490**	**5,83**	**302.585**	**1,14**	**368.056**	**0,70**
Farming and raising livestock	231.432	0,88	3.179.968	5,34	260.917	0,98	263.931	0,50
Forestry	81.750	0,31	234.420	0,39	37.035	0,14	49.840	0,10
Fishing	11.418	0,04	53.282	0,09	4.633	0,02	54.285	0,10
Manufacturing	**12.312.519**	**46,85**	**29.244.175**	**49,15**	**10.852.136**	**40,96**	**25.712.986**	**49,11**
Mining	118.106	0,45	683.391	1,15	518.035	1,96	738.453	1,41
Production	8.694.393	33,08	24.289.219	40,82	6.672.557	25,18	21.747.716	41,54
Electric, gas and water	3.500.020	13,32	4.271.565	7,18	3.661.544	13,82	3.226.817	6,16
Construction	**6.420.726**	**24,43**	**13.634.899**	**22,91**	**7.027.361**	**26,52**	**10.281.769**	**19,64**
Services	**7.021.359**	**26,72**	**13.016.022**	**21,87**	**7.772.719**	**29,34**	**15.789.010**	**30,16**
Wholesale and retail trade	1.476.561	5,62	929.867	1,56	2.652.661	10,01	3.976.751	7,60
Hotel, food and beverage services	275.597	1,05	1.588.633	2,67	194.117	0,73	999.922	1,91
Transportation and telecommunication	624.555	2,38	3.624.958	6,09	632.515	2,39	3.774.910	7,21
Financial institutions	3.499.891	13,32	2.313.533	3,89	3.183.656	12,02	2.387.436	4,56
Real estate and renting services	249.299	0,95	345.271	0,58	297.176	1,12	1.165.131	2,23
Employement	-	-	-	-	-	-	-	-
Education services	44.742	0,17	44.440	0,07	55.950	0,21	40.215	0,08
Health and social services	850.714	3,24	4.169.320	7,01	756.644	2,86	3.444.645	6,58
Other	**202.755**	**0,77**	**140.644**	**0,24**	**540.413**	**2,04**	**204.380**	**0,39**
Total	**26.281.959**	**100,00**	**59.503.230**	**100,00**	**26.495.214**	**100,00**	**52.356.201**	**100,00**

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3.1.3.3. Information non-cash loans classified in Group I. and Group II:

	Group I		Group II	
Current Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.300.588	39.534.487	1.810.612	822.544
Bank acceptances	-	183.378	-	17.537
Letters of credit	152.733	11.018.187	-	21.893
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	18.026	7.901.706	-	3.498
Total	**24.471.347**	**58.637.758**	**1.810.612**	**865.472**

	Group I		Group II	
Prior Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	26.216.356	33.693.469	224.852	165.074
Bank acceptances	-	209.151	-	3.534
Letters of credit	20.000	11.506.470	-	1.416
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.006	6.776.693	-	394
Total	**26.270.362**	**52.185.783**	**224.852**	**170.418**

3.1.3.4. Maturity distribution of non cash loans:

Current Period(1)	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	8.264.030	2.733.290	195.493	11.192.813
Letter of guarantee	24.326.925	11.438.694	24.432.851	6.269.761	66.468.231
Bank acceptances	-	167.613	29.447	3.855	200.915
Other	1.101.131	520.904	636.249	5.664.946	7.923.230
Total	**25.428.056**	**20.391.241**	**27.831.837**	**12.134.055**	**85.785.189**

Prior Period(1)	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	8.072.995	3.452.609	2.282	11.527.886
Letter of guarantee	22.859.931	11.426.328	20.933.980	5.079.512	60.299.751
Bank acceptances	-	187.776	22.021	2.888	212.685
Other	613.499	1.103.309	1.127.480	3.966.805	6.811.093
Total	**23.473.430**	**20.790.408**	**25.536.090**	**9.051.487**	**78.851.415**

(1) The distribution is based on the original maturities

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3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	194.070.768	272.445.631
FC trading forward transactions	19.278.968	26.814.740
Trading swap transactions	161.325.028	221.673.553
Futures transactions	-	-
Trading option transactions	13.466.772	23.957.338
Interest related derivative transactions (II)	87.798.512	56.251.434
Forward interest rate agreements	-	-
Interest rate swaps	83.986.144	54.129.790
Interest rate options	3.812.368	2.121.644
Interest rate futures	-	-
Other trading derivative transactions (III)	24.682.146	21.267.165
A. Total trading derivative transactions (I+II+III)	**306.551.426**	**349.964.230**
Types of hedging derivative transactions		
Transactions for fair value hedge	4.266.224	3.295.553
Cash flow hedges	92.994.503	70.586.749
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**97.260.727**	**73.882.302**
Total derivative transactions (A+B)	**403.812.153**	**423.846.532**

3.3. Information on credit derivatives and risk exposures:

The Group has no credit default swaps in derivative portfolio for the period ended 31 December 2018. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2017 - TL 157.000).

Derivative portfolio includes total return swaps for TL 16.231.912 (31 December 2017 - TL 9.236.126) for the period ended 31 December 2017.

3.4. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 158.325 (December 31, 2017 - TL 101.228) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

3.5. Information on services on behalf of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans[1]	7.575.164	811.039	5.199.037	498.638
Medium/long-term loans[1]	10.673.211	5.434.315	8.468.756	3.755.210
Interest on loans under follow-up	1.187.616	-	99.316	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	**19.435.991**	**6.245.354**	**13.767.109**	**4.253.848**

[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	259.743	-	110.329	16
From domestic banks	259.032	19.482	166.180	1.260
From foreign banks	88.183	146.677	2.478	50.624
Headquarters and branches abroad	-	-	-	-
Total	**606.958**	**166.159**	**278.987**	**51.900**

4.1.3. Information on interest income on marketable securities:

	Current Period	
	TL	FC
From financial assets where fair value change is reflected to income statement	9.144	2.042
From financial assets where fair value change is reflected to other comprehensive income statement	4.343.683	192.039
From financial Assets Measured at Amortised Cost	2.119.238	516.200
Total	**6.472.065**	**710.281**

	Prior Period	
	TL	FC
From financial assets at fair value through profit or loss	2.013	1.392
From available-for-sale financial assets	2.288.022	158.379
From held-to-maturity investments	585.404	401.297
Total	**2.875.439**	**561.068**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	2.003	1.831

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4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	252.437	1.700.946	193.442	1.095.254
The CBRT	-	3.887	-	5.010
Domestic banks	219.233	50.939	149.083	42.167
Foreign banks	33.204	1.646.120	44.359	1.048.077
Headquarters and branches abroad	-	-	-	-
Other institutions	-	493.013	-	209.618
Total[1]	**252.437**	**2.193.959**	**193.442**	**1.304.872**

[1] Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	4.714	5.564

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	857.273	1.316.875	538.259	694.397
Total	**857.273**	**1.316.875**	**538.259**	**694.397**

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	270	194.435	57.639	1.782	927	-	-	255.053	124.305
Saving deposit	-	343.137	6.191.429	441.210	73.549	44.435	117	7.093.877	4.350.207
Public sector deposit	-	2.263	796	22	47	2	-	3.130	2.086
Commercial deposit	36	1.101.468	1.786.277	131.707	83.694	15.879	-	3.119.061	2.597.277
Other deposit	-	38.940	589.363	119.118	56.185	1.802	-	805.408	713.217
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**306**	**1.680.243**	**8.625.504**	**693.839**	**214.402**	**62.118**	**117**	**11.276.529**	**7.787.092**
FC									
Foreign currency deposit	3.425	529.562	1.968.599	123.530	225.490	118.769	-	2.969.375	1.782.998
Bank deposit	3.106	64.086	11.864	2.062	329	18	-	81.465	65.011
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	863	2.338	233	657	128	-	4.219	3.228
Total	**6.531**	**594.511**	**1.982.801**	**125.825**	**226.476**	**118.915**	**-**	**3.055.059**	**1.851.237**
Grand total	**6.837**	**2.274.754**	**10.608.305**	**819.664**	**440.878**	**181.033**	**117**	**14.331.588**	**9.638.329**

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4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	8.686	-
Financial assets at fair value through other comprehensive income	1.678	669
Other	4.203	10.057
Total	**14.567**	**10.726**

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**118.957.559**	**44.688.040**
Gain from capital market transactions	180.186	94.564
Derivative financial transaction gains	48.113.404	16.534.312
Foreign exchange gains	70.663.969	28.059.164
Loss (-)	**119.038.727**	**45.200.918**
Loss from capital market transactions	50.197	38.237
Derivative financial transaction losses	36.218.099	17.538.572
Foreign exchange loss	82.770.431	27.624.109
Net gain/loss	**(81.168)**	**512.878**

4.5. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 12.381.027 (December 31, 2017 - TL 288.168 loss).

4.6. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	**7.112.841**
12-month expected credit losses (Stage 1)	152.688
Significant increase in credit risk (Stage 2)	2.337.832
Credit-Impaired (Stage 3)	4.622.321
Impairment provisions for financial assets	-
Financial assets at fair value through profit or loss	-
Financial assets at fair value through other comprehensive income	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-
Investments in associates	-
Subsidiaries	-
Jointly controlled partnerships (joint ventures)	-
Other	**191.425**
Total	**7.304.266**

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Provision for impairment of loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	2.829.333
III. Group loans and receivables	117.483
IV. Group loans and receivables	65.891
V. Group loans and receivables	2.645.959
General provision expenses	304.164
Provision expense for possible risks	50.000
Marketable securities impairment expenses	58.407
Financial assets at fair value through profit or loss	378
Available-for-sale financial assets	58.029
Impairment of investments in associates, subsidiaries and held-to-maturity securities	73.149
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Held-to-maturity investments[1]	73.149
Other	43.056
Total	**3.358.109**

[1] Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

4.7. 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.

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4.8. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses[1]	3.051.597	2.606.211
Reserve for employee termination benefits	13.546	13.868
Provision expense for pension fund	230.498	122.846
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	177.190	228.118
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	116.088	135.959
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	309	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.312.005	1.929.859
Operational lease expenses	332.620	309.593
Repair and maintenance expenses	136.836	114.276
Advertising expenses	133.341	142.296
Other expense	1.709.208	1.363.694
Loss on sales of assets	-	6
Other	783.748	783.099
Total	**6.684.981**	**5.819.966**

[1] "Personnel expenses" are also disclosed in this table, although it is not presented in other operating expenses in the income statement.

4.9. Provision for taxes on income from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 14.496.464 (December 31, 2017 -TL 9.735.017), net fee and commission income amounting to TL 4.236.344 (December 31, 2017 - TL 3.315.309) and total other operating expense including personnel expenses amounting to TL 6.684.981 (December 31, 2017 - TL 5.819.966).

As of December 31, 2018, the Group has no profit before taxes from discontinued operations (December 31, 2017 - None).

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2018, the Group has current tax income amounting to TL 1.025.376 (December 31, 2017 - TL 1.100.842) and deferred tax income amounting to TL 354.981 (December 31, 2017 - TL 113.674 deferred tax income).

	Current Period	Prior Period
Profit before tax	6.047.895	4.601.326
Tax calculated at legal tax rate	1.330.537	937.339
Nondeductible expenses discounts and other, net	49.820	49.829
Total	**1.380.357**	**987.168**

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4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

4.11.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	112	77

4.13. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

5. Explanations and notes related to consolidated statement of changes in shareholders' equity

5.1. Information on dividends:

Authorised body for profit distribution of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2. Information on increase/decrease amounts resulting from merger:

None.

5.3. Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4. Explanations on property and equipment valuation differences:

Grup, adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2018, revaluation gain under shareholders' equity is amounting to TL 1.866.531 (31 December 2017 - TL 1.381.028).

5.5. Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2018 actuarial loss under shareholders' equity are amounting to TL 225.129 (31 December 2018 - TL 184.484).

5.6. Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

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5.7. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted under "Other accumulated comprehensive income that will be reclassified in profit or loss", taking into account tax effects. Such amount as of December 31, 2017 is TL 1.743.304 profit (December 31, 2017 - 836.691 profit).

The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2017 is EUR 430 million. (December 31, 2017 - EUR 410 million). The foreign exchange loss of TL 1.201.270 (December 31, 2017 - TL 718.766 loss). net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

5.8. Information on other capital and profit reserves:

Other capital and profit reserves in general comprise of legal reserves and extraordinary reserves.

6. Explanations and notes related to consolidated statement of cash flows:

6.1. Information on cash and cash equivalent:

6.1.1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2. Effect of a change in the accounting policies:

None.

6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1. Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**14.993.683**	**12.245.083**
Cash and effectives	2.562.013	2.699.282
Demand deposits in banks	12.431.670	9.545.801
Cash equivalents	**8.850.595**	**3.713.929**
Interbank money market	817.005	252
Deposits in bank	8.033.590	3.713.677
Total cash and cash equivalents	**23.844.278**	**15.959.012**

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6.1.3.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**37.724.999**	**14.993.683**
Cash and effectives	4.886.490	2.562.013
Demand deposits in banks	32.838.509	12.431.670
Cash equivalents	**8.767.484**	**8.850.595**
Interbank money market	117.231	817.005
Deposits in bank	8.650.253	8.033.590
Total cash and cash equivalents	**46.492.483**	**23.844.278**

6.2. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2018, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 43.898.190 (December 31, 2017 - TL 34.653.676).

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

Decrease in "Other account" amounting to TL 567.348 decrease (December 31, 2017 - TL 4.957.468 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 20.044 decrease (December 31, 2017 - TL 2.177.418 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 15.321.623 as of December 31, 2018 (December 31, 2017 - TL 1.585.494 increase).

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7. Explanations and notes related to Group's risk group:

7.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group [1] [2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Balance at the end of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Interest and commission income received	**2.003**	**180**	**27.376**	**8.202**	**538.824**	**24.788**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group [1] [2]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans						
Balance at the beginning of the period	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Balance at the end of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Interest and commission income received	**1.831**	**119**	**9.516**	**7.893**	**320.083**	**12.547**

[1] Defined in subsection 2 of the 49th article of Banking Act No. 5411.

[2] The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.1.2. Information on deposits of the Group's risk group:

Group's risk group [1] [2]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	27.440	232.820	29.100.563	24.423.963	18.301.565	14.406.822
End of the period	32.007	27.440	39.787.874	29.100.563	22.326.048	18.301.565
Interest expense on deposits	**4.714**	**5.564**	**2.447.124**	**1.458.814**	**1.176.337**	**779.396**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

[2] The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

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7.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

Group's risk group [1]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss						
Beginning of the period[2]	-	-	4.585.782	8.532.884	4.263.455	1.104.683
End of the period[2]	-	-	3.330.535	4.585.782	983.564	4.263.455
Total profit / loss	**544**	**134**	**(473.269)**	**(16.232)**	**(592.874)**	**(48.039)**
Transactions for hedging purposes[2]						
Beginning of the period[2]	-	-	1.375.186	-	-	-
End of the period[2]	-	-	1.456.586	1.375.186	-	-
Total profit / loss	**-**	**-**	**106.586**	**25.186**	**-**	**-**

[1] Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

[2] The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.2. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 66.780 as of December 31, 2018 (December 31, 2017- TL 77.215).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank[1]:

	Number	Number of Employees	Country of incorporation	Total assets	Statutory share capital
Domestic Branch	853	17.574			
Foreign Rep. Office	-	-	-		
Foreign Branch	1	3	Bahrain	12.148.109	-
Off-Shore Banking Region Branch[1]	-	-		-	-

[1] Represent the Parent Banks' amounts.

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9. Explanations and notes related to subsequent events :

On January 15, 2019, the Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.

On January 16, 2019, the Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

Section six - Other Explanations and Notes

1. Other explanations on the Parent Bank's operations

None.

Section seven - Explanations on independent audit report

1. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's audit report dated February 1, 2019 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

Erişim Bilgileri

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Şube Bilgileri:
Yapı Kredi şube erişim bilgilerine Banka'nın internet sitesinden ulaşılabilmektedir.

Sosyal Medya Bilgileri:
Yapı Kredi Facebook, Twitter, Instagram, LinkedIn, Google+ ve YouTube kanallarıyla sosyal medyada aktif bir konuma sahiptir. Tüm bu kanallarda Banka, Yapı Kredi adı altında yer almaktadır.

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Koç UniCredit

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