CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
FOR THE PERIOD FROM 1 JANUARY TO
31 DECEMBER 2018

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türk Ekonomi Bankası A.Ş.

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Türk Ekonomi 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 BRSA 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 Our Audit Addressed the Key Audit Matter***
Expected credit losses for loans The Bank has total expected credit losses for loans amounting to TL 2.849.784 thousand in respect to total loans amounting to TL 66.848.607 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 VIII, Section Four Part II, Section Five Part I.6 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 Set Aside" 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 qualitative assessments presented Section Three Part VIII in the accompanying unconsolidated financial statements and default event presented in Section Four Part II in the accompanying unconsolidated 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.	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. Together with our financial risk experts, we have evaluated and tested the methodologies used in classification of loans as per their credit risk (staging) and building the impairment models in line with the requirement of TFRS 9 under the Bank's policies procedures. Regarding the expected credit losses models; we have assessed appropriateness of the segmentation, lifetime probability of default and loss given default calculations, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed the approach and expert judgment utilized in interpretation of supportable forward-looking expectations (including macroeconomic factors) by using the information publicly announced with our experts. 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 re-performing on a sample selection basis. • We have checked the appropriateness of the policies of the Bank to identify the significant increase in credit risk and default event and assessed the information on the classification of the loans as per their credit risk (staging).

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
Expected credit losses for loans (continued) The Bank 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.	• We tested the completeness of historical data considered in determining of probability of default, which is used in expected credit losses calculation based on a selected sample and checked the accuracy of resultant calculations. • We checked the calculation of the Loss Given Default used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs. • 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. • For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of the accuracy of cash flows in the calculation with the cash flows defined in the credit agreements and the discounting method. • 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 under TFRS 9 rules, we have performed loan review procedures based on a selected sample. • We checked the disclosures in the financial statements the Bank presented in relation to expected credit losses.

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
First time application of TFRS 9 The Bank has adopted “TFRS 9 Financial Instruments” (“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 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. We tested the appropriateness of the specific provision calculation provided for non-performing loans in accordance with the relevant legislation, including testing collateral on a sample basis to determine whether it was taken into consideration at market value multiplied by specified valuation ratios and adequately classified in the correct collateral group specified by legislation. In the context of the relevant legislation, we tested the appropriateness of the provisions provided for the portfolio of loans subject to general loan loss provision, in line with the relevant rules.

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
Valuation of Pension Fund Obligations Explanations on the valuation of pension fund obligations are presented in Section Three Part XVII and Section Five Part II.8. ii. in the accompanying unconsolidated financial statements as at 31 December 2018. Employees transferred to the Bank following the business combination of the Bank and Fortis Bank A.Ş. are members of "Türk Dış Ticaret Bankası Mensupları Emekli Sandığı" (the "Pension Fund"), which was established in May 1964 under Provisional Article 20 of Social Insurance Law No: 506. As presented in Section Three Part XVI, "Explanations on Liabilities Regarding Employee Benefits", members of the pension fund are to be transferred to the Social Security Institution ("SSI"). Following the transfer, the social rights and payments defined in the pension agreement which will be not covered by SSI will be covered by the institutions that employ the fund's members. The Council of Ministers is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumptions for transferrable and non-transferrable benefits. Valuing the pension obligations requires significant judgement and technical expertise in choosing appropriate assumptions. Bank management uses external actuaries to value the pension fund obligations. Valuations of pension fund liabilities include assumptions and estimates, such as transferrable social benefits, discount rates, salary increases, and economic and demographic expectations. During our audit, the above mentioned main assumptions and estimates used in calculations of pension fund obligations, the uncertainty of the transfer date, the technical interest rate determined by law and the significant impact on the Pension Fund's obligation from differentiation of these assumptions were taken into consideration, and this area is considered to be a key audit matter.	During our audit we tested on a sampling basis the accuracy of the employee data supplied by Bank management to the external actuary firm for the purpose of valuing the Pension Fund's obligation. In addition, we verified the existence and fair values of Pension Fund assets. We examined whether there were any significant changes in actuarial assumptions used in the calculation, the employee benefits provided during the period, the plan assets and liabilities and the regulations related to valuations, and tested significant changes, if any. Along with our actuarial expert, we assessed the reasonableness of the assumptions and valuations used by the external actuaries in the calculation of the obligation.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 6 February 2019

Convenience Translation of
Publicly Announced Unconsolidated Financial Statements and Audit Report
Originally Issued in Turkish, See in Note I. of Section Three

UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

Address	: Saray Mahallesi Sokullu Caddesi No: 7/A – 7/B Ümraniye 34768 - İstanbul
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The unconsolidated financial report for the year-end prepared in accordance with "Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information on Financial Structure and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditor's Report

The accompanying audited unconsolidated financial statements, related disclosures and footnotes which are presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and incompliance with the financial records of our Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Yavuz Canevi	Ayşe Aşardağ	Yvan L.A.M. De Cock	Ümit Leblebici	M. Aşkın Dolaştır	Gökhan Kazcılar
Chairman of the Board of Directors	Vice Chairman of the Audit Committee	Member of the Audit Committee	Chief Executive Officer	Assistant General Manager Responsible of Financial Reporting	Director Responsible of Financial Reporting

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Telephone Number : (0216) 635 24 51
Fax Number : (0216) 636 36 36

INDEX

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

SECTION ONE

GENERAL INFORMATION

I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status

Türk Ekonomi Bankası Anonim Şirketi ("TEB" or "Bank"), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Bank's Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in these Matters (if any), and the Group the Bank Belongs to

As of 31 December 2018 and 31 December 2017 the shareholders' structure and their respective ownerships are summarized as follows:

	31 December 2018		**31 December 2017**	
Name of shareholders	**Paid in Capital**	**%**	**Paid in Capital**	**%**
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	**100.00**	**2,204,390**	**100.00**

As of 31 December 2018, the Bank's paid-in-capital consists of 2,204,390,000 shares of TL1.00 (full TL) nominal each.

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess

Name	Title	Education
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın Akbaygil	Deputy Chairman of the Board of Directors	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
François Andre Jesualdo Benaroya	Member of the Board of Directors	University
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Özden Odabaşı	Member of the Board of Directors	Master
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Ümit Leblebici	General Manager and the Executive Director	Master
Assistant General Managers;		
Turgut Boz	Senior Assistant General Manager Responsible from SME Banking Group and Deputy Chairman of General Manager	University
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Dr.Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources Group	PhD
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Ali İhsan Arıdaşır	Assistant General Manager Responsible from SME Loans	University
Group Heads (*);		
Nimet Elif Akpınar	Head of Group Risk Management	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Internal Audit Group	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.
(**) Alain Georges Auguste Fonteneau has resigned from his duty as a member of the Board of Directors of our Bank as of 31 December 2018.

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

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

IV. Information on the Bank's Qualified Shareholders

Name / Commercial Name	Share Amount	Share Ratio	Paid-up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding are controlled by BNP Paribas SA.

V. Summary on the Bank's Functions and Lines of Activity

The Bank's operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2018, the Bank has 499 local branches and 4 foreign branches (31 December 2017: 500 local branches, 4 foreign branches). As of 31 December 2018, the number of employees of the Bank is 9,487 (31 December 2017: 9,464).

VI. Differences between the Communiqué on Preparation of 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

There is no difference for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Bank and its Subsidiaries

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance Sheet
II. Statement of Off-Balance Sheet Items
III. Statement of Profit or loss
IV. Statement of Profit or Loss and Other Comprehensive Income
V. Statement of Changes in Shareholders’ Equity
VI. Statement of Cash Flows
VII. Statement of Profit Distribution

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

			Audited Current Period 31.12.2018		
	ASSETS	**Section 5 Note**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**12,109,765**	**17,555,748**	**29,665,513**
1.1	**Cash and Cash Equivalents**		**3,123,276**	**16,737,908**	**19,861,184**
1.1.1	Cash and Balances with Central Bank	(I-1)	1,958,549	13,702,503	15,661,052
1.1.2	Banks	(I-4)	883,031	3,035,405	3,918,436
1.1.3	Money Market Placements		281,696	-	281,696
1.2	**Financial Assets at Fair Value Through Profit and Loss**		**427,287**	**189,287**	**616,574**
1.2.1	Government Debt Securities	(I-2)	391,248	136,646	527,894
1.2.2	Equity Securities		36,039	52,641	88,680
1.2.3	Other Financial Assets		-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-5)**	**2,865,819**	**425,538**	**3,291,357**
1.3.1	Government Debt Securities		2,860,209	425,538	3,285,747
1.3.2	Equity Securities		5,610	-	5,610
1.3.3	Other Financial Assets		-	-	-
1.4	**Financial Assets Measured at Amortized Cost**	**(I-7)**	**2,792,080**	**-**	**2,792,080**
1.4.1	Government Debt Securities		2,792,080	-	2,792,080
1.4.2	Other Financial Assets		-	-	-
1.5	**Derivative Financial Assets**		**2,903,036**	**210,240**	**3,113,276**
1.5.1	Derivative Financial Assets at Fair Value Through Profit and Loss	(I-3)	2,400,557	210,240	2,610,797
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-12)	502,479	-	502,479
1.6	**Non-performing Financial Assets**		**-**	**-**	**-**
1.7	**Allowance for Expected Credit Losses (-)**		**(1,733)**	**(7,225)**	**(8,958)**
II.	**LOANS (Net)**	**(I-6)**	**50,343,941**	**13,654,882**	**63,998,823**
2.1	**Loans**		**50,134,465**	**13,939,398**	**64,073,863**
2.1.1	Loans Measured at Amortised Cost		50,134,465	13,939,398	64,073,863
2.1.2	Loans at Fair Value Through Profit and Loss		-	-	-
2.1.3	Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	**(I-11)**	**-**	**-**	**-**
2.2.1	Finance Lease Receivables		-	-	-
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	**Factoring Receivables**		**-**	**-**	**-**
2.3.1	Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2	Factoring Receivables at Fair Value Through Profit and Loss		-	-	-
2.3.3	Factoring Receivables at Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non-performing Loans**		**2,756,354**	**18,390**	**2,774,744**
2.5	**Allowance for Expected Credit Losses (-)**		**(2,546,878)**	**(302,906)**	**(2,849,784)**
2.5.1	12-Month Expected Credit Losses (Stage 1)		(302,011)	(53,379)	(355,390)
2.5.2	Significant Increase in Credit Risk (Stage 2)		(600,704)	(235,510)	(836,214)
2.5.3	Credit-Impaired (Stage 3)		(1,644,163)	(14,017)	(1,658,180)
III.	**NON-CURRENT ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "HELD FROM DISCOUNTINUED OPERATIONS" (Net)**	**(I-17)**	**109,104**	**-**	**109,104**
3.1	Held For Sale		109,104	-	109,104
3.2	Held from Discontinued Operations		-	-	-
IV.	**INVESTMENTS**		**115,991**	**-**	**115,991**
4.1	**Investments in Associates (Net)**	**(I-8)**	**-**	**-**	**-**
4.1.1	Associates Accounted with Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
4.2	**Investments in Subsidiaries (Net)**	**(I-9)**	**115,986**	**-**	**115,986**
4.2.1	Unconsolidated Financial Subsidiaries		115,986	-	115,986
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3	**Joint Ventures (Net)**	**(I-10)**	**5**	**-**	**5**
4.3.1	Joint Ventures Accounted with Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		5	-	5
V.	**TANGIBLE ASSETS (Net)**	**(I-13)**	**292,290**	**-**	**292,290**
VI.	**INTANGIBLE ASSETS(Net)**	**(I-14)**	**528,440**	**-**	**528,440**
6.1	Goodwill		421,124	-	421,124
6.2	Other		107,316	-	107,316
VII.	**INVESTMENT PROPERTIES(Net)**	**(I-15)**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**1,358**	**-**	**1,358**
IX.	**DEFERRED TAX ASSET**	**(I-16)**	**187,325**	**-**	**187,325**
X.	**OTHER ASSETS**		**1,770,822**	**327,498**	**2,098,320**
	TOTAL ASSETS		**65,459,036**	**31,538,128**	**96,997,164**

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

I. BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

				Audited Prior Period 31.12.2017	
		Section 5 Note	**TL**	**FC**	**Total**
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**(I-1)**	**1,429,476**	**9,546,296**	**10,975,772**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**		**1,214,439**	**191,765**	**1,406,204**
2.1	Financial Assets Held for Trading		1,214,439	191,765	1,406,204
2.1.1	Government Debt Securities	(I-2)	346,092	114,868	460,960
2.1.2	Equity Securities		-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(I-3)	868,347	76,897	945,244
2.1.4	Other Marketable Securities		-	-	-
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	**BANKS**	**(I-4)**	**669,288**	**1,844,049**	**2,513,337**
IV.	**MONEY MARKET PLACEMENTS**		**-**	**-**	**-**
4.1	Interbank Money Market Placements		-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**(I-5)**	**4,630,660**	**64,804**	**4,695,464**
5.1	Equity Securities		24,598	32,696	57,294
5.2	Government Debt Securities		4,606,062	32,108	4,638,170
5.3	Other Marketable Securities		-	-	-
VI.	**LOANS AND RECEIVABLES**	**(I-6)**	**51,072,386**	**12,218,391**	**63,290,777**
6.1	Loans and Receivables		50,368,572	12,218,391	62,586,963
6.1.1	Loans to Risk Group of the Bank		187,843	56,681	244,524
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		50,180,729	12,161,710	62,342,439
6.2	Loans under Follow-up		1,946,625	-	1,946,625
6.3	Specific Provisions (-)		1,242,811	-	1,242,811
VII.	**FACTORING RECEIVABLES**		-	-	-
VIII.	**HELD TO MATURITY INVESTMENTS (Net)**	**(I-7)**	**401,854**	**-**	**401,854**
8.1	Government Debt Securities		401,854	-	401,854
8.2	Other Marketable Securities		-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**(I-8)**	-	-	-
9.1	Accounted with Equity Method		-	-	-
9.2	Unconsolidated Associates		-	-	-
9.2.1	Financial Investments		-	-	-
9.2.2	Non-Financial Investments		-	-	-
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**(I-9)**	**115,986**	**-**	**115,986**
10.1	Unconsolidated Financial Subsidiaries		115,986	-	115,986
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
XI.	**JOINT VENTURES (Net)**	**(I-10)**	**5**	**-**	**5**
11.1	Accounted with Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		5	-	5
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		5	-	5
XII.	**FINANCIAL LEASE RECEIVABLES**	**(I-11)**	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operating Lease Receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	**DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES**	**(I-12)**	**85,940**	**1,335**	**87,275**
13.1	Fair Value Hedge		4,454	-	4,454
13.2	Cash Flow Hedge		81,486	1,335	82,821
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**(I-13)**	**271,622**	**-**	**271,622**
XV.	**INTANGIBLE ASSETS (Net)**	**(I-14)**	**519,770**	**-**	**519,770**
15.1	Goodwill		421,124	-	421,124
15.2	Other		98,646	-	98,646
XVI.	**INVESTMENT PROPERTIES (Net)**	**(I-15)**	-	-	-
XVII.	**TAX ASSET**		**69,744**	**-**	**69,744**
17.1	Current Tax Asset		649	-	649
17.2	Deferred Tax Asset	(I-16)	69,095	-	69,095
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**(I-17)**	**90,677**	**-**	**90,677**
18.1	Held for Sale Purpose		90,677	-	90,677
18.2	Related to Discontinued Operations		-	-	-
XIX.	**OTHER ASSETS**		**908,599**	**411,143**	**1,319,742**
	TOTAL ASSETS		**61,480,446**	**24,277,783**	**85,758,229**

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

			Audited Current Period 31.12.2018		
	LIABILITIES	**Section 5 Note**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**(II-1)**	**37,110,317**	**27,106,849**	**64,217,166**
II.	**FUNDS BORROWED**	**(II-3)**	**243,558**	**11,522,605**	**11,766,163**
III.	**MONEY MARKET FUNDS**	**(II-4)**	**62,543**	**-**	**62,543**
IV.	**SECURITIES ISSUED (Net)**	**(II-3)**	**526,592**	**-**	**526,592**
4.1	Bills		526,592	-	526,592
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		-	-	-
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**2,682,982**	**81,961**	**2,764,943**
7.1	Derivative Financial Liabilities at Fair Value Through Profit and Loss	(II-2)	2,298,657	77,104	2,375,761
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-7)	384,325	4,857	389,182
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**
IX.	**LEASE PAYABLES**	**(II-6)**	**-**	**-**	**-**
9.1	Finance Lease Payables		-	-	-
9.2	Operational Lease Payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	**PROVISIONS**	**(II-8)**	**557,825**	**102,307**	**660,132**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		311,811	17,335	329,146
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		246,014	84,972	330,986
XI.	**CURRENT TAX LIABILITIES**	**(II-9)**	**291,338**	**-**	**291,338**
XII.	**DEFERRED TAX LIABILITIES**		**-**	**-**	**-**
XIII.	**LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "HELD FROM DISCONTINUED OPERATIONS" (Net)**		**-**	**-**	**-**
13.1	Held For Sale		-	-	-
13.2	Held From Discontinued Operations		-	-	-
XIV.	**SUBORDINATED LOANS**	**(II-11)**	**-**	**2,843,148**	**2,843,148**
14.1	Loans		-	-	-
14.2	Other Debt Instruments		-	2,843,148	2,843,148
XV.	**OTHER LIABILITIES**		**3,423,548**	**703,083**	**4,126,631**
XVI.	**SHAREHOLDERS' EQUITY**	**(II-12)**	**9,751,981**	**(13,473)**	**9,738,508**
16.1	Paid-in Capital		2,204,390	-	2,204,390
16.2	Capital reserves		486,644	-	486,644
16.2.1	Share Premiums		2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		484,079	-	484,079
16.3	Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		300,620	-	300,620
16.4	Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		147,651	(13,473)	134,178
16.5	Profit Reserves		5,601,476	-	5,601,476
16.5.1	Legal Reserves		348,483	-	348,483
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		5,143,756	-	5,143,756
16.5.4	Other Profit Reserves		109,237	-	109,237
16.6	Profit or Loss		1,011,200	-	1,011,200
16.6.1	Prior Periods' Profit / Loss		9,497	-	9,497
16.6.2	Current Periods' Profit / Loss		1,001,703	-	1,001,703
16.7	Minority Interest		-	-	-
	TOTAL LIABILITIES		**54,650,684**	**42,346,480**	**96,997,164**

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

I. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

			Audited Prior Period 31.12.2017		
		Section 5 Note	TL	FC	Total
I.	**DEPOSITS**	**(II-1)**	**33,335,127**	**22,241,589**	**55,576,716**
1.1	Deposits from Risk Group of the Bank		563,313	1,760,695	2,324,008
1.2	Other		32,771,814	20,480,894	53,252,708
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(II-2)**	**874,807**	**83,270**	**958,077**
III.	**FUNDS BORROWED**	**(II-3)**	**176,925**	**12,590,087**	**12,767,012**
IV.	**MONEY MARKET FUNDS**	**(II-4)**	**105,206**	**-**	**105,206**
4.1	Interbank Money Market Payables		-	-	-
4.2	Istanbul Stock Exchange Money Market Payables		-	-	-
4.3	Funds Provided Under Repurchase Agreements		105,206	-	105,206
V.	**SECURITIES ISSUED (Net)**	**(II-3)**	**1,289,688**	**-**	**1,289,688**
5.1	Bills		1,289,688	-	1,289,688
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	-	-
VI.	**FUNDS**		-	-	-
6.1	Borrower Funds		-	-	-
6.2	Other		-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**1,282,734**	**156,951**	**1,439,685**
VIII.	**OTHER EXTERNAL FUNDINGS PAYABLE**	**(II-5)**	**594,901**	**4,136**	**599,037**
IX.	**FACTORING PAYABLES**		-	-	-
X.	**FINANCIAL LEASE PAYABLES**	**(II-6)**	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(II-7)**	**443,017**	**314**	**443,331**
11.1	Fair Value Hedge		9,517	-	9,517
11.2	Cash Flow Hedge		433,500	314	433,814
11.3	Foreign Net Investment Hedge		-	-	-
XII.	**PROVISIONS**	**(II-8)**	**984,536**	**31,237**	**1,015,773**
12.1	General Loan Loss Provisions		576,339	-	576,339
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		238,284	16,356	254,640
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		169,913	14,881	184,794
XIII.	**TAX LIABILITY**	**(II-9)**	**229,944**	**-**	**229,944**
13.1	Current Tax Liability		229,944	-	229,944
13.2	Deferred Tax Liability		-	-	-
XIV.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		-	-	-
14.1	Held for Sale		-	-	-
14.2	Related to Discontinued Operations		-	-	-
XV.	**SUBORDINATED LOANS**	**(II-11)**	**-**	**2,314,083**	**2,314,083**
XVI.	**SHAREHOLDERS' EQUITY**	**(II-12)**	**9,009,504**	**10,173**	**9,019,677**
16.1	Paid-in Capital		2,204,390	-	2,204,390
16.2	Capital Reserves		1,094,141	10,173	1,104,314
16.2.1	Share Premium		2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Differences		(41,282)	9,733	(31,549)
16.2.4	Revaluation Surplus on Tangible Assets		266,122	-	266,122
16.2.5	Revaluation Surplus on Intangible Assets		-	-	-
16.2.6	Revaluation Surplus on Investment Property		-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		527	-	527
16.2.8	Hedging Funds (Effective Portion)		136,153	440	136,593
16.2.9	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-
16.2.10	Other Capital Reserves		730,056	-	730,056
16.3	Profit Reserves		4,632,637	-	4,632,637
16.3.1	Legal Reserves		295,041	-	295,041
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		4,292,924	-	4,292,924
16.3.4	Other Profit Reserves		44,672	-	44,672
16.4	Profit or Loss		1,078,336	-	1,078,336
16.4.1	Prior Periods Profit / Loss		9,497	-	9,497
16.4.2	Current Period Profit / Loss		1,068,839	-	1,068,839
16.5	Minority Interest		-	-	-
	TOTAL LIABILITIES		**48,326,389**	**37,431,840**	**85,758,229**

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

			Audited Current Period 31.12.2018		
		Section 5 Note	**TL**	**FC**	**Total**
A.	**OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**70,059,711**	**79,277,598**	**149,337,309**
I.	**GUARANTEES**	**(III-1)**	**9,302,313**	**13,368,187**	**22,670,500**
1.1	Letters of Guarantee		6,884,185	7,188,291	14,072,476
1.1.1	Guarantees Subject to State Tender Law		123,696	83,710	207,406
1.1.2	Guarantees Given for Foreign Trade Operations		412,617	489,797	902,414
1.1.3	Other Letters of Guarantee		6,347,872	6,614,784	12,962,656
1.2	Bank Acceptances		-	34,672	34,672
1.2.1	Import Letter of Acceptance		-	34,672	34,672
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		2,738	2,689,073	2,691,811
1.3.1	Documentary Letters of Credit		400	1,355,735	1,356,135
1.3.2	Other Letters of Credit		2,338	1,333,338	1,335,676
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	-	-
1.8	Other Guarantees		2,414,187	2,423,901	4,838,088
1.9	Other Collaterals		1,203	1,032,250	1,033,453
II.	**COMMITMENTS**	**(III-1)**	**13,163,298**	**2,913,113**	**16,076,411**
2.1	Irrevocable Commitments		13,163,298	2,913,113	16,076,411
2.1.1	Asset Purchase and Sale Commitments		1,082,628	2,046,312	3,128,940
2.1.2	Deposit Purchase and Sale Commitments		-	603,610	603,610
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		4,243,982	158,227	4,402,209
2.1.5	Securities Issuance Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		1,681,617	-	1,681,617
2.1.8	Tax and Fund Liabilities from Export Commitments		54,955	-	54,955
2.1.9	Commitments for Credit Card Limits		6,093,650	-	6,093,650
2.1.10	Commitments for Credit Cards and Banking Services Promotions		4,357	-	4,357
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-
2.1.13	Other Irrevocable Commitments		2,109	104,964	107,073
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-2)**	**47,594,100**	**62,996,298**	**110,590,398**
3.1	Derivative Financial Instruments for Hedging Purposes		17,040,694	7,618,300	24,658,994
3.1.1	Fair Value Hedge		-	-	-
3.1.2	Cash Flow Hedge		17,040,694	7,618,300	24,658,994
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Held for Trading Transactions		30,553,406	55,377,998	85,931,404
3.2.1	Forward Foreign Currency Buy/Sell Transactions		4,332,308	7,661,498	11,993,806
3.2.1.1	Forward Foreign Currency Transactions-Buy		2,332,275	3,784,324	6,116,599
3.2.1.2	Forward Foreign Currency Transactions-Sell		2,000,033	3,877,174	5,877,207
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		21,043,153	40,077,130	61,120,283
3.2.2.1	Foreign Currency Swap-Buy		6,449,446	22,606,834	29,056,280
3.2.2.2	Foreign Currency Swap-Sell		14,283,707	14,681,284	28,964,991
3.2.2.3	Interest Rate Swaps-buy		155,000	1,394,506	1,549,506
3.2.2.4	Interest Rate Swaps-Sell		155,000	1,394,506	1,549,506
3.2.3	Foreign Currency, Interest Rate and Securities Options		5,177,945	7,497,597	12,675,542
3.2.3.1	Foreign Currency Options-Buy		2,295,403	4,065,930	6,361,333
3.2.3.2	Foreign Currency Options-Sell		2,882,542	3,431,667	6,314,209
3.2.3.3	Interest Rate Options-Buy		-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-
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		-	141,773	141,773
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**159,485,118**	**37,355,867**	**196,840,985**
IV.	**ITEMS HELD IN CUSTODY**		**20,401,124**	**2,651,399**	**23,052,523**
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held In Custody		9,683,981	1,224,567	10,908,548
4.3	Cheques Received for Collection		9,855,135	906,310	10,761,445
4.4	Commercial Notes Received for Collection		515,021	149,903	664,924
4.5	Other assets Received for Collection		-	370,619	370,619
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items under Custody		346,987	-	346,987
4.8	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**133,414,971**	**33,470,037**	**166,885,008**
5.1	Marketable Securities		456,962	914,680	1,371,642
5.2	Guarantee Notes		51,361,896	20,618,260	71,980,156
5.3	Commodity		17,208	671,712	688,920
5.4	Warranty		-	-	-
5.5	Immovables		73,124,364	6,604,523	79,728,887
5.6	Other Pledged Items		8,454,541	4,660,862	13,115,403
5.7	Pledged Items-Depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**5,669,023**	**1,234,431**	**6,903,454**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**229,544,829**	**116,633,465**	**346,178,294**

The accompanying notes are an integral part of these unconsolidated financial statements.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AT 31 DECEMBER 2017

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

			Audited Prior Period 31.12.2017		
		Section 5 Note	TL	FC	Total
A.	**OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**83,268,709**	**73,708,197**	**156,976,906**
I.	**GUARANTEES**	**(III-1)**	**8,792,233**	**11,790,149**	**20,582,382**
1.1	Letters of Guarantee		6,874,187	6,165,093	13,039,280
1.1.1	Guarantees Subject to State Tender Law		148,296	80,708	229,004
1.1.2	Guarantees Given for Foreign Trade Operations		397,094	428,037	825,131
1.1.3	Other Letters of Guarantee		6,328,797	5,656,348	11,985,145
1.2	Bank Acceptances		34	42,282	42,316
1.2.1	Import Letter of Acceptance		34	42,282	42,316
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		16,215	2,380,353	2,396,568
1.3.1	Documentary Letters of Credit		16,215	1,071,808	1,088,023
1.3.2	Other Letters of Credit		-	1,308,545	1,308,545
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	-	-
1.8	Other Guarantees		1,883,852	1,992,580	3,876,432
1.9	Other Collaterals		17,945	1,209,841	1,227,786
II.	**COMMITMENTS**	**(III-1)**	**14,788,485**	**5,189,789**	**19,978,274**
2.1	Irrevocable Commitments		14,788,485	5,189,789	19,978,274
2.1.1	Asset Purchase and Sale Commitments		2,396,003	4,918,206	7,314,209
2.1.2	Deposit Purchase and Sale Commitments		-	-	-
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		4,526,858	104,211	4,631,069
2.1.5	Securities Issuance Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		2,387,642	-	2,387,642
2.1.8	Tax and Fund Liabilities from Export Commitments		31,047	-	31,047
2.1.9	Commitments for Credit Card Limits		5,411,646	-	5,411,646
2.1.10	Commitments for Credit Cards and Banking Services Promotions		3,723	-	3,723
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-
2.1.13	Other Irrevocable Commitments		31,566	167,372	198,938
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-2)**	**59,687,991**	**56,728,259**	**116,416,250**
3.1	Derivative Financial Instruments for Hedging Purposes		20,206,555	3,132,884	23,339,439
3.1.1	Fair Value Hedge		105,000	109,454	214,454
3.1.2	Cash Flow Hedge		20,101,555	3,023,430	23,124,985
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Held for Trading Transactions		39,481,436	53,595,375	93,076,811
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7,347,221	10,000,209	17,347,430
3.2.1.1	Forward Foreign Currency Transactions-Buy		2,626,654	6,094,827	8,721,481
3.2.1.2	Forward Foreign Currency Transactions-Sell		4,720,567	3,905,382	8,625,949
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		26,193,704	33,097,712	59,291,416
3.2.2.1	Foreign Currency Swap-Buy		9,168,870	18,887,840	28,056,710
3.2.2.2	Foreign Currency Swap-Sell		17,024,834	11,101,734	28,126,568
3.2.2.3	Interest Rate Swaps-buy		-	1,554,069	1,554,069
3.2.2.4	Interest Rate Swaps-Sell		-	1,554,069	1,554,069
3.2.3	Foreign Currency, Interest Rate and Securities Options		5,940,453	9,425,007	15,365,460
3.2.3.1	Foreign Currency Options-Buy		3,069,022	4,609,277	7,678,299
3.2.3.2	Foreign Currency Options-Sell		2,871,431	4,815,730	7,687,161
3.2.3.3	Interest Rate Options-Buy		-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	523,178	523,178
3.2.4.1	Foreign Currency Futures-Buy		-	58,893	58,893
3.2.4.2	Foreign Currency Futures-Sell		-	464,285	464,285
3.2.5	Interest Rate Futures		-	464,285	464,285
3.2.5.1	Interest Rate Futures-Buy		-	464,285	464,285
3.2.5.2	Interest rate Futures-Sell		-	-	-
3.2.6	Other		58	84,984	85,042
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**174,733,321**	**31,338,799**	**206,072,120**
IV.	**ITEMS HELD IN CUSTODY**		**24,323,460**	**2,013,797**	**26,337,257**
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held In Custody		11,442,192	775,972	12,218,164
4.3	Cheques Received for Collection		10,799,060	892,796	11,691,856
4.4	Commercial Notes Received for Collection		403,804	139,707	543,511
4.5	Other assets Received for Collection		34	205,322	205,356
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items under Custody		1,678,370	-	1,678,370
4.8	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**143,380,293**	**28,269,884**	**171,650,177**
5.1	Marketable Securities		1,478,414	45,461	1,523,875
5.2	Guarantee Notes		57,145,326	18,710,216	75,855,542
5.3	Commodity		48,895	733,876	782,771
5.4	Warranty		-	-	-
5.5	Immovables		76,568,882	5,037,944	81,606,826
5.6	Other Pledged Items		8,138,776	3,742,387	11,881,163
5.7	Pledged Items-Depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**7,029,568**	**1,055,118**	**8,084,686**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**258,002,030**	**105,046,996**	**363,049,026**

The accompanying notes are an integral part of these unconsolidated financial statements.

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

III. STATEMENT OF PROFIT OR LOSS

	INCOME AND EXPENSE ITEMS	Section 5 Note	Audited Current Period 31.12.2018
I.	**INTEREST INCOME**	**(IV-1)**	**11,268,525**
1.1	Interest Income on Loans		9,694,495
1.2	Interest Income on Reserve Deposits		134,151
1.3	Interest Income on Banks		224,764
1.4	Interest Income on Money Market Placements		98,391
1.5	Interest Income on Securities Portfolio		1,111,821
1.5.1	Financial Assets at Fair Value Through Profit or Loss		166,934
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		509,157
1.5.3	Financial Assets Measured at Amortised Cost		435,730
1.6	Financial Lease Income		-
1.7	Other Interest Income		4,903
II.	**INTEREST EXPENSE (-)**	**(IV-2)**	**7,062,436**
2.1	Interest Expense on Deposits		6,274,854
2.2	Interest Expense on Funds Borrowed		469,690
2.3	Interest Expense on Money Market Borrowings		56,987
2.4	Interest Expense on Securities Issued		251,345
2.5	Other Interest Expense		9,560
III.	**NET INTEREST INCOME (I - II)**		**4,206,089**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**1,270,224**
4.1	Fees and Commissions Received		1,913,803
4.1.1	Non-cash Loans		227,286
4.1.2	Other	(IV-12)	1,686,517
4.2	Fees and Commissions Paid (-)		643,579
4.2.1	Non-cash Loans		3,223
4.2.2	Other	(IV-12)	640,356
V.	**PERSONNEL EXPENSES(-)**	**(IV-7)**	**1,247,821**
VI.	**DIVIDEND INCOME**	**(IV-3)**	**16,908**
VII.	**TRADING INCOME / LOSS (Net)**	**(IV-4)**	**(424,922)**
7.1	Securities Trading Gains / Losses		(178,628)
7.2	Gains / Losses on Derivative Financial Instruments		2,873,301
7.3	Foreign Exchange Gains / Losses		(3,119,595)
VIII.	**OTHER OPERATING INCOME**	**(IV-5)**	**107,021**
IX.	**GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**3,927,499**
X.	**ALLOWANCE FOR EXPECTED CREDIT LOSSES (-)**	**(IV-6)**	**1,247,465**
XI.	**OTHER OPERATING EXPENSES (-)**	**(IV-7)**	**1,399,314**
XII.	**NET OPERATING INCOME/(LOSS) (IX-X-XI)**		**1,280,720**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**
XIV.	**GAIN / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**
XV.	**GAIN / LOSS ON NET MONETARY POSITION**		**-**
XVI.	**PROFIT / LOSS FROM CONTINUED OPERATIONS BEFORE TAX (XII+…+XV)**	**(IV-8)**	**1,280,720**
XVII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-9)**	**(279,017)**
17.1	Current Tax Provision		(179,473)
17.2	Expense Effect of Deferred Tax (+)		(607,578)
17.3	Income Effect of Deferred Tax (-)		508,034
XVIII.	**NET PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)**	**(IV-10)**	**1,001,703**
XIX.	**INCOME ON DISCONTINUED OPERATIONS**		**-**
19.1	Income from Non-current Assets Held for Sale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Income from Other Discontinued Operations		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses from Non-current Assets Held for Sale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)**	**(IV-8)**	**-**
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	**(IV-9)**	**-**
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)**	**(IV-10)**	**-**
XXIV.	**NET PROFIT / LOSS (XVIII+XXIII)**	**(IV-11)**	**1,001,703**
24.1	Group’s Profit / Loss		1,001,703
24.2	Minority Interest Profit / Loss (-)		-
	Earnings per Share		0.4544

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

III. STATEMENT OF INCOME

		Section 5 Note	Audited Prior Period 31.12.2017
I.	**INTEREST INCOME**	**(IV-1)**	**7,916,379**
1.1	Interest Income on Loans		7,119,126
1.2	Interest Income on Reserve Deposits		74,537
1.3	Interest Income on Banks		65,771
1.4	Interest Income on Money Market Placements		96,877
1.5	Interest Income on Marketable Securities Portfolio		557,469
1.5.1	Held-for-trading Financial Assets		46,962
1.5.2	Financial Assets at Fair Value Through Profit and Loss		-
1.5.3	Available-for-sale Financial Assets		462,094
1.5.4	Held-to-maturity Investments		48,413
1.6	Financial Lease Income		-
1.7	Other Interest Income		2,599
II.	**INTEREST EXPENSE**	**(IV-2)**	**4,008,562**
2.1	Interest Expense on Deposits		3,506,446
2.2	Interest Expense on Funds Borrowed		327,870
2.3	Interest Expense on Money Market Borrowings		49,124
2.4	Interest Expense on Securities Issued		83,592
2.5	Other Interest Expense		41,530
III.	**NET INTEREST INCOME (I - II)**		**3,907,817**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**1,063,440**
4.1	Fees and Commissions Received		1,468,517
4.1.1	Non-cash Loans		168,630
4.1.2	Other	(IV-12)	1,299,887
4.2	Fees and Commissions Paid		405,077
4.2.1	Non-cash Loans		3,091
4.2.2	Other	(IV-12)	401,986
V.	**DIVIDEND INCOME**	**(IV-3)**	**19,118**
VI.	**TRADING INCOME/(LOSS) (NET)**	**(IV-4)**	**(935,107)**
6.1	Securities Trading Gains/(Losses)		(29,236)
6.2	Gains/(Losses) on Derivative Financial Instruments		(695,236)
6.3	Foreign Exchange Gains/(Losses)		(210,635)
VII.	**OTHER OPERATING INCOME**	**(IV-5)**	**109,328**
VIII.	**TOTAL OPERATING INCOME/(LOSS) (III+IV+V+VI+VII)**		**4,164,596**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(IV-6)**	**446,760**
X.	**OTHER OPERATING EXPENSES (-)**	**(IV-7)**	**2,404,905**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**1,312,931**
XII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		-
XIII.	**GAIN/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		-
XIV.	**GAIN/(LOSS) ON NET MONETARY POSITION**		-
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAX (XI+…+XIV)**	**(IV-8)**	**1,312,931**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-9)**	**(244,092)**
16.1	Current Tax Provision		(308,657)
16.2	Deferred Tax Provision		64,565
XVII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(IV-10)**	**1,068,839**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		-
18.1	Income on Assets Held for Sale		-
18.2	Income on Sale of Associates, Subsidiaries and Joint Ventures		-
18.3	Income on Other Discontinued Operations		-
XIX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		-
19.1	Loss from Assets Held for Sale		-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-
19.3	Loss from Other Discontinued Operations		-
XX.	**PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)**	**(IV-8)**	-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	**(IV-9)**	-
21.1	Current Tax Provision		-
21.2	Deferred Tax Provision		-
XXII.	**NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XX±XXI)**	**(IV-10)**	-
XXIII.	**NET PROFIT/(LOSS) (XVII+XXII)**	**(IV-11)**	**1,068,839**
23.1	Group's Profit/(Loss)		1,068,839
23.2	Minority Interest Profit/(Loss)		-
	Earnings per Share		0.4849

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 31.12.2018
I.	**PROFIT / (LOSS)**	**1,001,703**
II.	**OTHER COMPREHENSIVE INCOME**	**5,934**
2.1	**Other Comprehensive Income that will not be Reclassified to Profit or Loss**	**(25,388)**
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	-
2.1.2	Gains (losses) on Revaluation of Intangible Assets	-
2.1.3	Gains (losses) on Remeasurements of Defined Benefit Plans	(32,831)
2.1.4	Other Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	877
2.1.5	Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified To Profit or Loss	6,566
2.2	**Other Comprehensive Income that will be Reclassified to Profit or Loss**	**31,322**
2.2.1	Exchange Differences on Translation	-
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	(135,494)
2.2.3	Income (loss) related with Cash Flow Hedges	175,504
2.2.4	Income (loss) related with Hedges of Net Investments in Foreign Operations	-
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	(8,688)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**1,007,637**

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

IV. INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

		Audited Prior Period 31.12.2017
I.	**ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM FINANCIAL ASSETS AVAILABLE FOR SALE**	**21,475**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**	**-**
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**	**-**
IV.	**TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES**	**-**
V.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**136,983**
VI.	**PROFIT/ LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR FOREIGN NET INVESTMENT HEDGE OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE CHANGES)**	**-**
VII.	**THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS**	**-**
VIII.	**OTHER INCOME / EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS**	**31,011**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(38,032)**
X.	**NET INCOME / EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)**	**151,437**
XI.	**PROFIT/ LOSS**	**1,068,839**
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit / (Loss))	(2,617)
11.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	1,390
11.3	Transfer of Foreign Net Investment Hedge Operations to Income Statement	-
11.4	Other	1,070,066
XII.	**TOTAL PROFIT/ LOSS ACCOUNTED FOR THE PERIOD (X±XI)**	**1,220,276**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Assets of Disc. Op.	Total Equity Except from Minority Shares	Minority Shares	Total Equity
	Prior Period - 01.01-31.12.2017																		
I.	**Beginning Balance 31.12.2016**	**2,204,390**	**200,262**	**2,565**	**-**	**247,951**	**-**	**3,081,817**	**820,899**	**-**	**951,296**	**(51,975)**	**311,160**	**527**	**30,509**	**-**	**7,799,401**	**-**	**7,799,401**
II.	**Corrections According to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The Effects of Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	**2,204,390**	**200,262**	**2,565**	**-**	**247,951**	**-**	**3,081,817**	**820,899**	**-**	**951,296**	**(51,975)**	**311,160**	**527**	**30,509**	**-**	**7,799,401**	**-**	**7,799,401**
	Changes in Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	**Increase/Decrease Related to Merger**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable Securities Valuation Differences**	-	-	-	-	-	-	-	-	-	-	**20,426**	-	-	-	-	**20,426**	-	**20,426**
VI.	**Hedging Funds (Effective Portion)**	-	-	-	-	-	-	-	-	-	-	-	-	-	**106,084**	-	**106,084**	-	**106,084**
6.1	Cash-Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	106,084	-	106,084	-	106,084
6.2	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Tangible Assets Revaluation Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible Assets Revaluation Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Foreign Exchange Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The Disposal of Assets**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**The Reclassification of Assets**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**The Effect of Change in Associate's Equity**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Capital Increase**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Share Premium**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Share Cancellation Profits**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Inflation Adjustment to Paid-In Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII	**Other**	-	-	-	-	-	-	**298,893**	**(183,030)**	-	-	-	**(90,936)**	-	-	-	**24,927**	-	**24,927**
XIX.	**Period Net Income / Loss**	-	-	-	-	-	-	-	-	**1,068,839**	-	-	-	-	-	-	**1,068,839**	-	**1,068,839**
XX.	**Profit Distribution**	-	-	-	-	**47,090**	-	**912,214**	**(63,403)**	-	**(941,799)**	-	**45,898**	-	-	-	-	-	-
20.1	Dividends Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves	-	-	-	-	47,090	-	912,214	(63,403)	-	(941,799)	-	45,898	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance 31.12.2017 (III+IV+V+VI+VII+VIII+IX+X+XI+XII+ XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)	**2,204,390**	**200,262**	**2,565**	**-**	**295,041**	**-**	**4,292,924**	**574,466**	**1,068,839**	**9,497**	**(31,549)**	**266,122**	**527**	**136,593**	**-**	**9,019,677**	**-**	**9,019,677**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

	CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense not Reclassified at Profit and Loss			Accumulated Other Comprehensive Income or Expense Reclassified at Profit and Loss								
	Audited	**Paid-in Capital**	**Share Premium**	**Share Cancellation Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Net Profit/(Loss)**	**Current Period Net Profit/(Loss)**	**Total Equity Except from Minority Shares**	**Minority Shares**	**Total Equity**
	Current Period – 01.01-31.12.2018																
I.	**Prior Period Closing Balance**	**2,204,390**	**2,565**	**-**	**670,697**	**266,122**	**58,967**	**919**	**-**	**(31,549)**	**136,593**	**4,632,637**	**1,078,336**	**-**	**9,019,677**	**-**	**9,019,677**
II.	**Adjustment in accordance with TAS 8**	**-**	**-**	**-**	**(186,618)**	**-**	**-**	**-**	**-**	**(2,188)**	**-**	**-**	**-**	**-**	**(188,806)**	**-**	**(188,806)**
2.1	The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The Effect of Changes in Accounting Policy	-	-	-	(186,618)	-	-	-	-	(2,188)	-	-	-	-	(188,806)	-	(188,806)
III.	**New Balance (I+II)**	**2,204,390**	**2,565**	**-**	**484,079**	**266,122**	**58,967**	**919**	**-**	**(33,737)**	**136,593**	**4,632,637**	**1,078,336**	**-**	**8,830,871**	**-**	**8,830,871**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**(26,265)**	**877**	**-**	**(105,818)**	**137,140**	**-**	**-**	**1,001,703**	**1,007,637**	**-**	**1,007,637**
V.	**Capital Increase in Cash**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase from Internal Resources**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation Adjustment to Paid-in Capital**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Bonds convertible to Shares**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/Decrease from Other Changes**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Profit distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**968,839**	**(1,068,839)**	**-**	**(100,000)**	**-**	**(100,000)**
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
11.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	968,839	(968,839)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance 31.12.2018 (III+IV+V+VI+VII+VIII+IX+X+XI)	**2,204,390**	**2,565**	**-**	**484,079**	**266,122**	**32,702**	**1,796**	**-**	**(139,555)**	**273,733**	**5,601,476**	**9,497**	**1,001,703**	**9,738,508**	**-**	**9,738,508**

1. Increase/decrease of accumulated revaluation reserve on tangible assets,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other (Other comprehensive ıncome of associates and joint ventures accounted with equity method that will not be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss),
4. Foreign currency translation differences,
5. Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income,
6. Other (Cash flow hedge gains / losses, other comprehensive ıncome of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

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

VI. STATEMENT OF CASH FLOWS

		Section 5 Note	Audited Current Period 31.12.2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**1,481,582**
1.1.1	Interest received		10,513,359
1.1.2	Interest paid		(6,817,413)
1.1.3	Dividend received		16,908
1.1.4	Fees and commissions received		1,935,673
1.1.5	Other income		3,005,337
1.1.6	Collections from previously written off loans		861,688
1.1.7	Payments to personnel and service suppliers		(1,232,546)
1.1.8	Taxes paid		(156,825)
1.1.9	Others	(VI-1)	(6,644,599)
1.2	**Changes in operating assets and liabilities**		**5,335,575**
1.2.1	Net (increase) in financial asset at fair value through profit or loss		(123,938)
1.2.2	Net increase/ decrease in due from banks and other financial institutions		-
1.2.3	Net (increase) in loans		(3,249,979)
1.2.4	Net (increase) in other assets	(VI-1)	(56,907)
1.2.5	Net (decrease) in bank deposits		(46,891)
1.2.6	Net increase in other deposits		7,859,213
1.2.7	Net increase / decrease in financial asset at fair value through profit or loss		-
1.2.8	Net (decrease) in funds borrowed		(1,045,132)
1.2.9	Net increase / decrease in matured payables		-
1.2.10	Net increase in other liabilities	(VI-1)	1,999,209
I.	**Net cash provided from banking operations**		**6,817,157**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(639,033)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)		-
2.3	Cash paid for purchase of tangible assets		(99,748)
2.4	Cash obtained from sale of tangible assets		2,541
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income		(1,178,960)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income		987,425
2.7	Cash paid for purchase of financial assets measured at amortised cost		(573,615)
2.8	Cash obtained from sale of financial assets measured at amortised cost		291,885
2.9	Others	(VI-1)	(68,561)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from financing activities**		**(597,517)**
3.1	Cash obtained from funds borrowed and securities issued		6,654,809
3.2	Cash used for repayment of funds borrowed and securities issued		(7,152,326)
3.3	Equity instruments issued		-
3.4	Dividends paid		(100,000)
3.5	Payments for financial leases		-
3.6	Others		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**(VI-1)**	**1,516,339**
V.	**Net increase in cash and cash equivalents**		**7,096,946**
VI.	**Cash and cash equivalents at beginning of the period**	**(VI-2)**	**5,937,120**
VII.	**Cash and cash equivalents at end of the period**	**(VI-2)**	**13,034,066**

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

VI. STATEMENT OF CASH FLOWS (Continued)

		Section 5 Note	Audited Prior Period 31.12.2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**1,394,188**
1.1.1	Interest received		7,604,798
1.1.2	Interest paid		(3,862,087)
1.1.3	Dividend received		19,118
1.1.4	Fees and commissions received		1,493,829
1.1.5	Other income		567,157
1.1.6	Collections from previously written off loans		670,787
1.1.7	Payments to personnel and service suppliers		(1,120,339)
1.1.8	Taxes paid		(233,871)
1.1.9	Others	(VI-1)	(3,745,204)
1.2	**Changes in operating assets and liabilities**		**(3,161,697)**
1.2.1	Net (increase) in financial assets held for trading		(18,456)
1.2.2	Net increase / decrease in financial assets at fair value through profit or loss		-
1.2.3	Net increase / decrease in due from banks and other financial institutions		-
1.2.4	Net (increase) in loans		(7,886,852)
1.2.5	Net decrease in other assets	(VI-1)	324,266
1.2.6	Net (decrease) in bank deposits		(506,032)
1.2.7	Net increase in other deposits		5,516,577
1.2.8	Net decrease in funds borrowed		(84,583)
1.2.9	Net increase / decrease in matured payables		-
1.2.10	Net (decrease) in other liabilities	(VI-1)	(506,617)
I.	**Net cash provided from banking operations**		**(1,767,509)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(649,584)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)		-
2.3	Cash paid for purchase of tangible assets		(114,861)
2.4	Cash obtained from sale of tangible assets		177
2.5	Cash paid for purchase of financial assets available for sale		(2,435,786)
2.6	Cash obtained from sale of financial assets available for sale		1,964,405
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Others	(VI-1)	(63,519)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from financing activities**		**540,206**
3.1	Cash obtained from funds borrowed and securities issued		2,061,841
3.2	Cash used for repayment of funds borrowed and securities issued		(1,521,635)
3.3	Equity instruments issued		-
3.4	Dividends paid		-
3.5	Payments for financial leases		-
3.6	Others		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**(VI-1)**	**413,878**
V.	**Net (decrease) in cash and cash equivalents**		**(1,463,009)**
VI.	**Cash and cash equivalents at beginning of the period**	**(VI-2)**	**7,400,129**
VII.	**Cash and cash equivalents at end of the period**	**(VI-2)**	**5,937,120**

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

VII. STATEMENT OF PROFIT DISTRIBUTION

		Audited Current Period 31.12.2018 (*)	Audited Prior Period 31.12.2017
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	1,280,720	1,312,931
1.2	TAXES AND DUTIES PAYABLE (-)	279,017	244,092
1.2.1	Corporate tax (Income tax)	179,473	308,657
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties (**)	99,544	(64,565)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1,001,703**	**1,068,839**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(53,442)
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1,001,703**	**1,015,397**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	100,000
1.6.1	To owners of ordinary shares	-	100,000
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (preemptive rights)	-	-
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 preferred shares	-	-
1.9.3	To owners of preferred shares (preemptive rights)	-	-
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	-	915,397
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVE**	-	-
2.1	DISTRIBUTED 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 preferred shares	-	-
2.3.3	To owners of preferred shares (preemptive rights)	-	-
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	0.4544	0.4849
3.2	TO OWNERS OF ORDINARY SHARES (%)	45.44	48.49
3.3	TO OWNERS OF PREFERRED SHARES	-	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PREFERRED SHARES	-	-
4.4	TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) As of 31 December 2018 when the financial statements has been finalized, the General Assembly meeting did not performed.

(**) Other taxes and duties amount is deferred tax expense (31 December 2017: Deferred tax income).

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards ("TAS") and "Regulation on Accounting Applications for Banks and Safeguarding of Documents":

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA, "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The accounting principles except TFRS 9 Financial Instruments Standard's impact, are in accordance with the used principles in preparation of yearly financial statement as of 31 December 2018. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué on Disclosures about Risk Management to be announced to Public by Banks" and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TFRS which have entered into force as of 1 January 2018 have no material impact on the Group's accounting policies, financial position and performance except TFRS 9 Financial Instruments Standard. The amendments of TFRS which are published but not yet effective as of finalization date of financial statement, except TFRS 16 Leases Standard, will have no impact on the accounting policies, financial condition and performance of the Group. Along with the on-going works on leases under TFRS 16 which will be entered into force as 1 January 2019, it is assumed that the effect with related deferred tax will cause a decrease of approximately 1% on equity.

Additional paragraph for convenience of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these 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.

Explanations on TFRS 16 Leases Standard

"TFRS 16 Leases" Standard, which is effective as at 1 January 2019 is published in the Official Gazette numbered 30393 dated 16 April 2018. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The Bank will recognize an adjustment to opening retained earnings at 1 January 2019, to reflect the application of the new requirements at the adoption date.

I. Basis of Presentation (Continued)

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards ("TAS") and "Regulation on Accounting Applications for Banks and Safeguarding of Documents": (continued)

Classification, measurement and presentation of leases

The lease obligation is classified as gross basis in the way that equals to the total of all cash payments under the contract and netted off with the interest expense arising from the contract. The right of use arising from the leasing transactions is capitalized at commencement date of a lease by measuring the present value of the lease payments that have not been paid at the date. The lease payments is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, incremental borrowing rate obtained by Asset-Liability Management Department of the Bank is used.

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are determined by regulations, communiqués, explanations and general notices published by BRSA and, in matters which cannot be regulated by them, the principals of TFRS (all "BRSA Accounting and Financial Reporting legislation") forced by POA. Pursuant to the transition of TFRS 9, the prior period financial statements and footnotes are not restated. Per BRSA communique numbered 24049440-045.01[3/8]-E.5358 dated 17 April 2018, prior period figures are represented in prior format. Accounting policies and valuation principles used for 2018 and 2017 periods are separately presented in the footnotes and included in the accounting policies for the period of 2017 at Third Section footnote XXVII.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained between Notes II and XXVI.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Bank, risk bearing short positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Bank's foreign currency asset and liability balances are valuated with the Bank's exchange buying rate at the reporting date and recognized as "Foreign Exchange Gains / Losses" within statement of income.

The Bank's hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Bank's hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Bank's Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

In accordance with TAS 27, investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Bank's derivative transactions mainly consist of foreign currency swaps and interest rate swaps, cross currency swaps, currency options and forward foreign currency purchase and sale contracts.

Pursuant to "TFRS 9 Financial Instruments" ("TFRS 9"), derivative financial instruments of the Bank are classified as "Derivative financial assets at fair value through profit or loss" or "Derivative financial assets at fair value through other comprehensive income".

Assets and liabilities arising from derivative transactions are recorded in off-balance sheet through their contractual amounts. Derivative transactions are measured at fair value. In accordance with the classification of derivative financial instruments, if the fair value is positive, they are disclosed under "Derivative Financial Assets at Fair Value Through Profit or Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income", if the fair value is negative, they are disclosed under "Derivative Financial Liabilities at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income". Differences arising from the fair value changes of derivative financial instruments at fair value through profit or loss are recognized under "Gains / Losses on Derivative Financial Instruments" in "Trading Income / Loss" in the statement of profit or loss. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity, are booked based on the amounts to be received / paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap, transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted in to Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income / expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

IV. Explanations on Forward and Option Contracts and Derivative Instrument (Continued)

The hedge effectiveness between the derivative instruments / transactions used for hedging and hedged item, are measured regularly and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

During period where the relation between hedging instrument and the hedged item is measured;

a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit or loss,

b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

While the Bank recognizes the fair value changes of the hedged items in the "Other Interest Income" and "Other Interest Expense" accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the "Gains/ Losses on Derivative Financial Instruments" account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in "Other Interest Income" and "Other Interest Expense" accounts.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued interest on the loans are not reversed on the date of classification as loans under follow-up**.**

The interest amount representing the time value of the future collections of the loans under follow up is recognized under interest income.

VI. Explanations on Fees and Commission Income and Expenses

Fees and commissions other than integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 Revenue from Contracts with Customers Standard.

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in "commissions on cash loans" account and are recognized as income over the period of the loan by discounting with effective interest rate. Variable costs related with the allocation of consumer loans are calculated and commissions received up to the calculated amount are recorded directly as income.

For Bank assurance services provided by the Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services, are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expenses in the relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

The Bank classifies and recognizes its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in Section 3 related to the classification and measurement of financial instruments of the "TFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Bank recognizes a financial asset in the financial statement when, and only when, the Bank becomes a party to the contractual provisions of the instrument. When the Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit / loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

Accounting policies related to derivative financial instruments at fair value through profit or loss are explained in Section III. Footnote IV.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated by effective interest rate method are reflected in the statement of profit or loss. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of profit or loss until the realization of the financial asset, the sale of the asset, the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the income statement when such securities are collected or disposed.

The Bank may elect at initial recognition to irrevocably designate an equity investment at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends continue to be recognized in profit or loss in the financial statements.

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

VII. Explanations on Financial Assets (Continued)

Financial Assets Measured at Amortised Cost

Financial investments measured at amortised cost:

A financial asset is classified as a financial asset measured at amortized cost when the Bank's policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Interest income related to the financial asset measured at amortized cost is recognized in the statement of profit or loss.

Loans:

Loans are financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method.

VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Time value of money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

The Bank has changed its credit calculation method with the expected credit loss model as of 1 January 2018. Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; 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 and the time value of money. The financial assets is divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

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 is recorded in the amount of 12-month expected credit losses.

VIII. Explanations on Impairment of Financial Assets (Continued)

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Following criterias have been taken into account in classification a financial asset as Stage 2:

- Loans having past due more than 30 days and less than 90 days
- Restructuring loans
- Concordatum events
- Significant deterioration in probability of default

In the case of the occurrence of any of the first three items above, it is classified under Stage 2 loans regardless of the comparison between probability of defaults.

Significant deterioration in probability of default is considered as significant increase in credit risk and the financial asset is classified under Stage 2 loans. In this regard, it is assumed that the probability of default deteriorates, if the probability of default exceeds the thresholds defined by the Bank's internal rating based credit rating models.

Stage 3:

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

Expected Credit Loss Calculation

Expected credit loss calculation refers to the calculation to estimate the loss of the financial instrument in case of default and it is based on 3-stage impairment model based on the change in credit quality. The Bank uses two different calculations considering 12-month and lifetime probability of default of the financial instruments.

If there is a significant increase in credit risk between the origination date and the reporting date of the loan, the lifetime probability of default is used and if there is no significant increase in credit risk the 12-month probability of default is used.

There is mainly three loan portfolios as commercial portfolios, retail portfolios and sovereign portfolios.

While the Bank uses the internal credit ratings for commercial portfolios, the internal behavioral scores is used for the retail portfolios. It is determined significant increase in credit risk by comparing the credit ratings/behavioral scores at the origination date and reporting date for both portfolios.

Default Definition: Debts having past due more than 90 days; in addition, the fact that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The Bank does not have any financial asset as purchased or originated credit-impaired.

VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation (Continued)

Probability of Default (PD): PD represents the likelihood of default over a specified time period. Based on the historical data, 1-year PD of a customer is calculated for each portfolio on the basis of credit ratings and behavioral scores. PDs and LGDs used in the ECL calculation are point in time ("PIT") based on key portfolios and consider both current conditions and expected cyclical changes. Two types of probability of default are calculated.

- 12-Month PD: as the estimated probability of default occurring within the next 12 months.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used to measure the risk of both commercial and retail portfolios. The internal rating models used in the commercial portfolio include the customer's financial information and the answers to the qualitative question set. Behavioral score cards used in the retail portfolio include the behavioral data of the customer and the product in the Bank, the demographic information of the customer and the behavioral data of the customer in the sector. The probability of default is calculated based on historical data, current conditions and forward-looking macroeconomic expectations.

Loss Given Default (LGD): If a loan defaults, it represents the economic loss incurred on the loan. It is expressed as a percentage.

The Bank calculates the recovery rates for each portfolio in a way that include the collateral types and several risk elements, and it is ensured that the time value of money is included into the calculation by discounting of these recoveries to the reporting date. The collaterals in the calculation are taken into account by considering the credit conversion factors. The collaterals included in "Communique on Credit Risk Mitigation Techniques" is taken into account with their rules in the communique. The remaining part is considered as unsecured portfolio and loss given default rate determined for this portfolio is applied.

Exposure at Default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

Effective interest rate: the discount factor which reflects the time value of money.

Lifetime ECL is calculated by taking into account the period during which the Bank will be exposed to credit risk. The maturity information defined for all cash and non-cash loans is used in the calculation of the expected credit loss along with their maturity and payment plans. The maturity refers to the contractual life of a financial instruments unless there is the legal right to call it earlier. The maturity analysis and credit risk mitigation processes such as cancellation/revision of the limits have been developped for the definition of behavioral maturity for loans that do not have maturity information and revolving loans.

VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation (Continued)

When expected credit losses are estimated, it is considered that three different macroeconomic scenarios as ”Base”, “Adverse” and “Favorable” and the weighted average of the results of this scenarios is taken into account. Forward-looking PDs based on the weighted average of these three scenarios are calculated on segment basis. The fundamental macroeconomic variable in the macroeconomic models is the estimated annual growth rate in gross national product The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Expected Credit Loss Calculation of Stage 1 Loans: It is calculated by considering 12-month (1 year) PDs for the financial assets measured at amortized cost, which do not reflect a significant increase in credit risk. Therefore, it is a part of the lifetime expected credit losses. Such expected 12- month PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In the case of the current default rate is below a defined threshold without comparison with the origination date, the related loans are classified under Stage 1 loans by considering their credit qualities. Treasury Bills and CBRT balances are classified under Stage 1 loans. In addition, the institutions related to risk group of the Bank and other banks’ placements are classified under Stage 1 loans.

Expected Credit Loss Calculation of Stage 2 Loans: It is calculated by considering lifetime PDs for the loans which has shown a significant increase in credit risk since origination. Such expected lifetime PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.
In determining of the significant increase in credit risk, qualitative and quantitative assessments are performed.

Qualitative assessments:

The loans with a delay on repayment more than 30 days are classified under Stage 2 loans. In addition, the restructured loans are also classified under this stage.
The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Quantitative assessments:

“Significant increase in credit risk” is quantitatively based on the comparison the risk of default at the reporting date with the risk of default at the date of initial recognition. Where the change is above the defined threshold it is considered as significant increase in the credit risk, meaning that the credit is classified under Stage 2 loans.

In the case of the internal credit rating of the loan is above a defined threshold without comparison with the origination date, the related loans are classified under Stage 2 loans

Expected Credit Loss Calculation of Stage 3 Loans: Lifetime expected credit losses are booked for the loans considered as impaired. When calculating the provisions by discounting the individual cash flow expectations for financial instruments which are above a defined threshold, loss given default rates are taken into account in case of default for financial instruments which are below the defined threshold.

IX. Explanations on Offsetting of Financial Assets and Liabilities

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

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as financial assets carried at amortized costs, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely “Founds provided under repurchase agreements” under “Money market balances”. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“Reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2018, the Bank has TL281,696 reverse repo transaction (31 December 2017: None).

As of 31 December 2018, the Bank does not have any marketable securities lending transaction (31 December 2017: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Non-current assets held for sale consists of property, plant and equipment acquired for impairment and accounted in financial statements convenient with “TFRS 5 Assets Held for Sale and Discontinued Operations”.

As of 31 December 2018, assets held for sale and discontinued operations of the Bank are TL109,104 (31 December 2017: TL90,677). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL6,131 (31 December 2017: TK4,444) has been reserved as provision for impairment losses.

As of 31 December 2018 the Bank has no discontinued operations.

XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree’s identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

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

XII. Explanations on Goodwill and Other Intangible Assets (Continued)

Within the framework of TFRS 3 "Business Combination", identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder's equity section.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. 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.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Bank comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software used are mainly developed within the Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Bank are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values in to consideration, over the estimated useful lives expressed in number of months. The calculation of depreciation is based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

Buildings	50 years
Motor Vehicles	5 years
Furniture, Fixtures and Office Equipment and Others	5-15 years

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

XIII. Explanations on Tangible Fixed Assets (Continued)

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount are subject to depreciation during leasing period. This period is taken into consideration maximum five years. For the branches, this period is considered as three years in parallel with the Bank's business plans.

The Bank employs independent appraisers in determining the current fair values of its real estate's when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Fixed assets obtained through financial leasing are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leasing are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an "impairment provision" is provided for. Obligations for future lease payments are booked in "financial lease payables" account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement.

In compliance with Turkish Accounting Standard Leases (TAS 17), operating leases are recognized as an expense over the lease term in accordance with the lease agreement.

The Bank does not have any leasing transactions as "Lessor".

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards ("TAS 37") regarding "Provisions, Contingent Liabilities and Contingent Assets".

XVI. Explanations on Contingent Assets

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 Contingent assets are disclosed in the financial statements' notes 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.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS 19 "Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

XVII. Explanations on Liabilities Regarding Employee Benefits (Continued)

Employees transferred to the Bank following the business combination defined in "General Information" of the Bank and Fortis Bank A.Ş. are the members of "Türk Dış Ticaret Bankası Mensupları Emekli Sandığı" (the "Pension Fund") which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the "Actuary Regulations" issued based on the same article. As of 31 December 2018, the Pension Fund has 1,686 employees and 1,095 pensioners (31 December 2017: 1,757 employees and 1,065 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the "Banking Law") published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the "SSI") within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court's ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the "TGNA") initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers' resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers' resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers' resolution dated 8 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date 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 23 April 2015 numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published on the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2018. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Communiqué on "Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2018, actuarial loss amounting to TL26,265 (1 January - 31 December 2017: TL24,335 gain) was classified as "Other Comprehensive Income" and as of 31 December 2017, a total of TL32,702 (31 December 2017: TL58,967) actuarial gain was accounted under "Other Reserves".

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

A 50% portion of the gains derived from the sale of immovables which have been acquired due to loans under follow-up from the Bank and 75% portion of participation shares, founder's shares, dividend shares and preemption rights is tax exempt (This rate is applied as 75% for immovable sales before 5 December 2017). A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the immovable properties held for at least two years (This rate is applied as 75% for immovable sales before 5 December 2017) are exempt from corporate taxation, providing that such gains are added to paid-in capital or held in a special fund account under liability for five years.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month**.**

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Liability/Asset

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over provisions for possible risks and general provisions according to the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax asset is calculated over temporary differences arisen from expected credit loss provision in line with TFRS 9 principles from 1 January 2018.

Deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There are no shares issued in 2018.

XXI. Explanations on Bill Guarantees and Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Bank.

XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Bank also provides account products like "Marifetli", "Fırsat" and "CEPTETEB" along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regards to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call center, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialised in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

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

XXIII. Explanations on Reporting According to Segmentation (Continued)

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewellers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women’s banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorisations. The Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

The details of the income statement and the balance sheet which the Bank operates as a business lane:

Current Period	**Retail**	**Corporate**	**SME**	**Other**	**Total**
Dividend Income	-	-	-	16,908	16,908
Profit Before Tax	160,737	493,242	417,321	209,420	1,280,720
Tax Provision (-)	-	-	-	279,017	279,017
Net Profit for the Period	**160,737**	**493,242**	**417,321**	**(69,597)**	**1,001,703**

Current Period	**Retail**	**Corporate**	**SME**	**Other**	**Total**
Segment Assets	12,433,964	20,550,288	25,057,150	38,839,771	96,881,173
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	**12,433,964**	**20,550,288**	**25,057,150**	**38,955,762**	**96,997,164**
Segment Liabilities	41,161,274	12,479,861	10,080,246	23,537,275	87,258,656
Shareholders’ Equity	-	-	-	9,738,508	9,738,508
Total Liabilities	**41,161,274**	**12,479,861**	**10,080,246**	**33,275,783**	**96,997,164**

Prior Period (31.12.2017)	**Retail**	**Corporate**	**SME**	**Other**	**Total**
Dividend Income	-	-	-	19,118	19,118
Profit Before Tax	309,368	403,275	585,994	14,294	1,312,931
Tax Provision (-)	-	-	-	244,092	244,092
Net Profit for the Period	**309,368**	**403,275**	**585,994**	**(229,798)**	**1,068,839**

Prior Period (31.12.2017)	**Retail**	**Corporate**	**SME**	**Other**	**Total**
Segment Assets	12,515,973	16,458,459	28,813,521	27,854,285	85,642,238
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	**12,515,973**	**16,458,459**	**28,813,521**	**27,970,276**	**85,758,229**
Segment Liabilities	32,208,350	12,624,686	10,440,952	21,464,564	76,738,552
Shareholders’ Equity	-	-	-	9,019,677	9,019,677
Total Liabilities	**32,208,350**	**12,624,686**	**10,440,952**	**30,484,241**	**85,758,229**

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

XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 26 March 2018 of the Bank, TL1,068,839 that constitutes the 2017 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL53,442 as Legal Reserves, TL0.78 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL100,000 as First Dividend to Shareholders.

XXV. Reclassifications

In order to be consistent with the presentation of financial statements dated 31 December 2018, some reclassifications are made in the cash flow statement and income statement as of 31 December 2017.

XXVI. Explanations on TFRS 9 Financial Instruments Standard

"TFRS 9 Financial Instruments", which is effective from 1 January 2018 has been published in the Official Gazette numbered 29953 dated 19 January 2017. The aim of the standard is to determine the financial reporting principles on financial assets and financial liabilities. The Bank has applied the classification, measurement and impairment requirements by adjusting the opening balance sheet and opening equity at 1 January 2018.

TFRS 9 standard sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting. TFRS 9 permits not to apply the standard's principles on hedge accounting and to continue to apply hedge accounting principles of TAS 39. The Bank continues to comply with all principles of TAS 39 for hedge accounting based on the analyzes made so far.

a) Classification and measurement of financial instruments

According to TFRS 9, each financial asset will be classified as either amortized cost, fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI") in accordance with the business model and the contractual cash flow characteristics. The business model is determined by the Bank in terms of the manner in which assets are managed and their performance is reported.

	Before TFRS 9		**After TFRS 9**	
	Basis of Measurement	**Book value**	**Basis of Measurement**	**Book value**
Financial Assets		**31 December 2017**		**1 January 2018**
Cash and Balances With Central Bank	Amortised cost	10,975,772	Amortised cost	10,973,463
Banks and Money Market Placements	Amortised cost	2,513,337	Amortised cost	2,506,364
Marketable Securities	Fair value through comprehensive income	4,695,464	Fair value through comprehensive income	2,680,239
	Fair value through profit or loss	460,960	Fair value through profit or loss	525,328
	Amortised cost	401,854	Amortised cost	2,370,745
Derivative financial assets held for trading	Fair value through profit or loss	949,698	Fair value through profit or loss	949,698
Derivative financial assets for hedging purposes	Fair value through comprehensive income	82,821	Fair value through comprehensive income	82,821
Loans (Gross)	Amortised cost	64,533,588	Amortised cost	64,533,588

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

XXVI. Explanations on TFRS 9 Financial Instruments Standard (Continued)

b) Financial statement confirmation of financial assets at TFRS 9 transition:

Financial Assets	Book Value Before TFRS 9 31 December 2017	Reclassifications	Remeasurement	Book Value After TFRS 9 1 January 2018
Cash and Balances with Central Bank				
Book value in accordance with TAS 39	10,975,772			
Remeasurement: Provision provided for expected credit losses	-		(2,309)	
Book value in accordance with TFRS 9				10,973,463
Banks and money markets placements				
Book value in accordance with TAS 39	2,513,337			
Remeasurement: Provision provided for expected credit losses	(5,867)		(1,106)	
Book value in accordance with TFRS 9				2,506,364
Financial assets at fair value through other comprehensive income				
Balances before reclassification (available for sale)	4,695,464			
Disposal: to held to maturity portfolio		(1,963,540)		
Disposal: to held for trading portfolio		(52,235)		
Remeasurement: Fair value differences			1,152	
Remeasurement: Provision provided for expected credit losses	(355)		(247)	
Book value in accordance with TFRS 9				2,680,239
Financial assets at fair value through profit or loss				
Book value in accordance with TAS 39	460,960			
Addition: from available for sale portfolio		64,368		
Book value in accordance with TFRS 9				525,328
Financial assets measured at amortised cost				
Balances before reclassification (held to maturity)	401,854			
Addition: from available for sale portfolio		1,969,425		
Remeasurement: Provision provided for expected credit losses	-		(534)	
Book value in accordance with TFRS 9				2,370,745
Loans				
Book value in accordance with BRSA requirements (Gross)	64,533,588			
Remeasurement: Provision provided for expected credit losses (Stage 1 + Stage 2)	(527,516)		(390,309)	
Remeasurement: Provision provided for expected credit losses (Stage 3)	(1,242,811)		(25,747)	
Book value in accordance with TFRS 9 (Net)				62,347,205

In accordance with TFRS 9 classification and measurement requirements, the Bank has performed some reclassifications as above. The reasons of these reclassifications are explained below:

1) Financial assets classified as measured at amortized cost in accordance with TFRS 9 standard:

The Bank reassessed its business model in order to hold the financial assets to collect contractual cash flow the collection of contractual cash flows and sell the assets. At the date of initial application of TFRS 9, the Bank assessed the appropriate business model for its marketable securities amounting to TL1,963,540, which was previously classified as available-for-sale and measured at fair value, as to collect the contractual cash flows and measured at amortised cost.

2) Equity securities at fair value through profit or loss in accordance with TFRS 9 standard:

From the date of initial application of TFRS 9, the Bank has classified its equity securities amounting to TL52,235 as financial assets measured at fair value through profit or loss, which was previously classified as financial assets available-for-sale. The Bank has classified its equity securities amounting to TL5,059 as financial assets at fair value through other comprehensive income at initial application date.

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

XXVI. Explanations on TFRS 9 Financial Instruments Standard (Continued)

c) Reconciliation of the opening balance of the provisions for impairment at TFRS 9 transition

The following table presents the reconciliation between provisions for impairment of the Bank as of 31 December 2017 and the provision provided for expected credit losses measured in accordance with TFRS 9 expected loss model as of 1 January 2018.

	Book Value Before TFRS 9 31 December 2017	Remeasurement	Book Value After TFRS 9 1 January 2018
Cash and Balances with Central Bank	**-**	**2,309**	**2,309**
Stage 1	-	2,309	2,309
Banks and Money Markets Placements	**5,867**	**1,106**	**6,973**
Stage 1	5,867	1,106	6,973
Marketable Securities	**355**	**781**	**1,136**
At fair Value Through Other Comprehensive Income			
Stage 1	355	247	602
At fair Value Through Profit or Loss			
Stage 1	-	534	534
Loans	**1,770,327**	**416,056**	**2,186,383**
Stage 1	461,161	(186,851)	274,310
Stage 2	66,355	577,160	643,515
Stage 3	1,242,811	25,747	1,268,558
Non-cash loans	**79,507**	**34,167**	**113,674**
Stage 1	30,407	9,466	39,873
Stage 2	359	51,650	52,009
Stage 3	48,741	(26,949)	21,792
Derivative Financial Assets	**10,211**	**(10,211)**	**-**
Stage 1	10,211	(10,211)	-
Other Assets	**1,624**	**(1,583)**	**41**
Stage 1	1,624	(1,583)	41

d) Equity impacts of TFRS 9 transition

According to section 15 of paragraph 2 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is not compulsory to restate previous period information and if the previous period information is not restated, the difference between the book value of 1 January 2018 at the date of initial application should be reflected in the opening balance of equity. The explanations about the initial application effects of TFRS 9 on equity presented below.

The negative difference amounting to TL442,625 between provisions for impairment provided in accordance with the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 29750 dated 22 June 2016 and provisions provided for the expected credit losses measured in accordance with the TFRS 9 expected credit loss model as of 1 January 2018, has been classified under "Other Capital Reserves" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and its Explanations" issued on 20 September 2017, effective from 1 January 2018 deferred tax assets will be provided on general loan loss provisions (TFRS 9 expected credit loss provisions for the loans at first and second stages). Within this scope, deferred tax assets amounting to TL224,436 have been reflected to the opening financials as of 1 January 2018 and the related amount has been classified under "Other Capital Reserves" in shareholders' equity.

Equity securities classified as available-for-sale financial assets before 1 January 2018 has been classified as the financial asset at fair value through profit or loss. TL31,021 net off tax effect have been classified under "Other Capital Reserves" in equity. In addition, the positive difference amounting to TL550 due to the remeasurement of equity securities classified as financial assets at fair value through other comprehensive income has been accounted under "Other Capital Reserves" in equity.

For the available-for-sale financial assets, marketable securities valuation differences amounting to TL2,188 with a deducted tax effect has been canceled due to the change of business model with TFRS 9 transition.

XXVII. Explanations on Prior Period Accounting Policies not Valid for the Current Period

As of 1 January 2018, the Bank has started to apply "TFRS 9 Financial Instruments" standard which replaces "TAS 39 Financial Instruments: Recognition and Measurement". Accounting policies lost their validity with the transition of TFRS 9 are given below.

The Bank classifies and recognizes its financial assets as “Financial Assets at Fair Value through Profit or Loss”, “Financial assets available for sale”, “Loans and receivables” or “Held-to-Maturity Investments”. All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires, (a) accounting of the asset when acquired by the entity and (b) disposing of the asset out of the balance sheet on the date settled by the entity; and accounting of gain or loss on disposal as of the same date. In applying settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between the commercial transaction date and settlement date.

The fair value of marketable securities is the market price. The market price of marketable securities traded in stock exchange is the weighted average of their trading price at the market. If marketable securities are not traded in stock exchange, the market price for TL marketable securities are considered as the closing price announced by the Central Bank, and for Eurobonds as the average of buy and sell price in Bloomberg.

Financial Assets at Fair Value through Profit and Loss

Financial Assets at Fair Value through Profit and Loss are divided in two sub-categories: “Financial assets held for trading” and “Financial assets designated upon initial recognition as at fair value through profit or loss”. Financial assets held for trading are acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking. The financial assets held for trading are recognized as at their fair value and are measured with their fair value following their recognition. Gains and losses upon valuation are included in profit and loss accounts.

The amortized cost of financial assets held for trading with maturity are reflected in “Interest Income on Securities”. The positive difference between this interest and the price calculated with fair value method is recorded as “Profits on Purchases/Sales of Marketable Securities” and the negative difference as “Loss on Purchases/Sales of Marketable Securities”. The profit shares are recorded in dividend income. Financial assets designated as financial assets at fair value through profit or loss" is used for the financial assets that are needed to be classified within the scope of Financial Instruments: Accounting and Measurement Accounting Standards in Turkey (TAS 39) in order to have a more proper demonstration even if they were not purchased for trading purposes.

Financial Assets Available for Sale

Financial assets available for sale are comprised of financial assets other than “Loan and receivables”, “Held-to-maturity investments”, “Financial assets at fair value through profit or loss” and non-derivative financial instruments. Financial assets available for sale are recorded at their fair value including related purchase costs plus the transaction costs.

Discounts and premiums of the financial assets available for sale are taken into account on the amortized cost calculation and are recorded in income statement as a part of interest rate.

Amortized cost of financial assets available for sale are recorded in profit and loss as interests from marketable securities. The differences between the fair value and amortized cost, are recorded in “Security valuation differences”, under equity. When financial assets available for sale are sold, all fair value differences accumulated under equity are reflected in income statement.

XXVII. Explanations on Prior Period Accounting Policies not Valid for the Current Period (Continued)

Held-to-Maturity Investments

Held-to-maturity investments are the financial assets that will be held until the maturity date, for which all requirements are fulfilled to hold till the maturity date including funding capability. They have fixed or determinable payments and fixed maturities. Held-to-maturity investments are firstly recorded by adding the transaction costs to the purchase price which reflect their fair value.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to "tainting" rule.

The Bank classifies its marketable securities as referred to above at the acquisition date of related assets.

Loans and Receivables

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

The effective interest rate for a loan is the rate that equals the expected cash flows of principal and interest to the loan allocation amount.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for loans under follow-up are determined by the Bank's management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

All collected expenses and commissions related with cash loans are rediscounted with the effective interest rate.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 29750 dated 22 June 2016. These provisions are reflected in the income statement under "Provision and Impairment Expenses - Special Provision Expense". The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables. The collections regarding the provisions provided in the current period are reversed from the "Provision for Loan Losses and Other Receivables" account in the income statement, and related interest income is credited to the "Interest Received from Loans under Follow-up" account.

Current period provisions are booked in "Provision for Loan Losses and Other Receivables" account. If the provisions for the receivables that had been realized in earlier periods are collected in current year, reversals of specific provisions are booked in "Other Operating Income". Income realized through the sale of loans under follow-up are booked in "Other Operating Income" account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Bank reserves general loan loss provision for loans and other receivables.

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2018, Bank's total capital has been calculated as TL12,854,950 (31 December 2017: TL10,913,093) and capital adequacy ratio is 16.93% (31 December 2017: 16.12%). This ratio is well above the minimum ratio required by the legislation. The credit risk of banking accounts has been calculated by using the "Standard Approach", the market risk of purchase and sale accounts by using the "Standard Method", counterparty credit risk of derivative and repo transactions by using the "Fair Value Method", credit valuation adjustments of over counter derivative transactions by using the "Standard Model" and operational risk by using the "Basic Indicator Approach".

Information related to the Components of Shareholders' Equity:

Common Equity Tier 1 Capital	**Current Period 31.12.2018**	**Amount related to treatment before 01.01.2014(*)**
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	6,526,330	
Gains Recognized in Equity as per TAS	-	
Profit	1,011,200	
Current Period Profit	1,001,703	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	
Common Equity Tier 1 Capital Before Deductions	**9,945,274**	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	139,555	
Leasehold Improvements on Operational Leases	48,953	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	98,374	98,374
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	**708,006**	
Total Common Equity Tier 1 Capital	**9,237,268**	

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to the Components of Shareholders' Equity: (Continued)

	Current Period 31.12.2018	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	**-**	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I 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 Bank Capital (-)	-	-
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 Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	**-**	
Total Additional Tier 1 Capital	**-**	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**9,237,268**	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	2,465,663	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	316,403	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	847,992	
Tier 2 Capital Before Deductions	**3,630,058**	
Deductions From Tier 2 Capital	**-**	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	**-**	
Total Tier 2 Capital	**3,630,058**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**12,867,326**	

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

I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2018	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	12,375	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	1	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	12,854,950	
Total Risk Weighted Assets	75,941,606	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.16	
Tier 1 Capital Adequacy Ratio (%)	12.16	
Capital Adequacy Ratio (%)	16.93	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	1.88	
a) Capital conservation buffer requirement (%)	1.88	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.28	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	88,526	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	187,325	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,356,383	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	847,992	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	354,295	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.
(**) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to the Components of Shareholders' Equity: (Continued)

Common Equity Tier 1 Capital	**Prior Period 31.12.2017**	**Amount related to treatment before 01.01.2014(*)**
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	5,414,198	
Gains Recognized in Equity as per TAS	-	
Profit	1,078,336	
Current Period Profit	1,068,839	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	
Common Equity Tier 1 Capital Before Deductions	**8,900,278**	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	31,549	
Leasehold Improvements on Operational Leases	56,452	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	92,241	92,241
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	**601,366**	
Total Common Equity Tier 1 Capital	**8,298,912**	

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to the Components of Shareholders' Equity: (Continued)

	Prior Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I 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 Bank Capital (-)	-	-
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 Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**8,298,912**	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	1,799,486	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	245,824	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	576,339	
Tier 2 Capital Before Deductions	**2,621,649**	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	**2,621,649**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**10,920,561**	

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to the Components of Shareholders' Equity: (Continued)

	Prior Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,462	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	6	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	10,913,093	
Total Risk Weighted Assets	67,715,955	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.26	
Tier 1 Capital Adequacy Ratio (%)	12.26	
Capital Adequacy Ratio (%)	16.12	
BUFFERS		
Total buffer requirement (%)	1.25	
Capital conservation buffer requirement (%)	1.25	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	5.00	
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	52,080	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	69,095	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	576,339	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	576,339	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to the Components of Shareholders' Equity: (Continued)

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	9,237,268	9,267,620	8,931,966	8,589,838	-
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	8,882,973	8,913,325	8,655,019	8,312,891	-
Tier 1 Capital	9,237,268	9,267,620	8,931,966	8,589,838	-
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	8,882,973	8,913,325	8,655,019	8,312,891	-
Capital	12,854,950	13,216,537	11,934,579	11,309,386	-
Capital where the transition impact of TFRS 9 has not been applied (c)	12,500,655	12,862,242	11,934,579	11,309,386	-
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	75,941,606	79,704,063	79,059,183	73,653,190	-
CAPITAL ADEQUENCY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.16	11.63	11.30	11.66	-
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.70	11.18	10.95	11.29	-
Tier 1 Capital Adequacy Ratio (%)	12.16	11.63	11.30	11.66	-
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.70	11.18	10.95	11.29	-
Capital Adequacy Ratio (%)	16.93	16.58	15.10	15.35	-
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	16.46	16.14	15.10	15.35	-
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	135,658,725	159,940,798	144,620,558	132,121,132	-
Leverage Ratio	6.81%	5.60%	6.18%	6.50%	-
FTA not Applied Leverage Ratio (d)	6.55%	5.38%	5.98	6.29%	-

Basic information for the TFRS 9 transition process
a: Common equity tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
b: Tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
c: Total capital if temporary article 5 of the Regulation on equities of banks has not applied.
ç: Capital adequacy ratios calculated with capital items if temporary article 5 of the Regulation on banks has not applied.
d: The leverage ratio calculated with capital items if temporary article 5 of the Regulation on banks has not applied.

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	**9,738,508**
Hedging Funds (effective portion)	(273,733)
Deductions Made Under Regulation	(581,802)
Transition Impact of TFRS 9 (Temporary 5th Article)	354,295
Common Equity Tier 1 Capital	**9,237,268**
Additional Tier 1 Capital	-
Tier 1 Capital	**9,237,268**
General Provisions	847,992
Bank's Borrowing Instruments	2,782,066
Deductions Made Under Regulation	(12,376)
Total Equity	**12,854,950**

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

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information related to debt instruments included in equity calculation

All of the debt instruments included in equity calculation are issued by the Bank.

Issuer	TEB	TEB	TEB	TEB
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	XS1895575071	XS0808626013	XS0780562665	XS1845118865
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	Yes	No
Eligible at solo/ group/ group and solo	Available	Available	Available	Available
Type of the debt instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	1,107.5	603.6	316.4	754.5
Par value of debt instrument (TL Currency in mil)	1,107.5	603.6	342.8	754.5
Accounting classification of the debt instrument	34701100	34701100	34701100	34701100
Original date of issuance	05.11.2018	20.07.2012	14.05.2012	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	05.11.2028	20.07.2024	14.05.2024	27.06.2028
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	05.11.2023	20.07.2019	14.05.2019	27.06.2023
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Floating	Floating	Floating
Coupon rate and any related index	10.40%	Euribor+4.75%	LIBOR+5.75%	Euribor+5.10%
Existence of a dividend stopper	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil
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)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to the debt instrument)	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess	Possess	Not Possess	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (*)	-	-	Article 8/2 (ğ)	-

(*) Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

II. Explanations Related to Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué numbered 29750 dated 22 June 2016 on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

A restructuring is defined as the privilege due to the borrower's encountered or likely to encountered financial difficulties. The privileges granted to the borrower assumed to be in financial difficulty are

- a change in the terms and conditions of the loan or
- partially or completely refinancing of the loan in favor of the debtor.

In order to be subject to restructuring, the firm must be confronted with the difficulty of payment. The difficulty should be supported by concrete developments or findings. Each restructuring request is evaluated on transaction basis by the authorized credit allocation unit according to the activity of the firm, the income generation structure by the sectoral operation.

Restructuring of the loans supported by Credit Guarantee Fund (“CGF loans”) is evaluated in accordance with the current legislation. The principles regarding to restructuring of Treasury-Back CGF loans in the scope of 11 October 2018 dated Presidential Decree are taken into account.

Non-required delay time loans that is not classified as Group III Loans defined in “Regulation on Procedures and Principles for Classification of Loans And Provisions to be Set Aside” published in the Official Gazette numbered 29750 dated 22 June 2016, whose principal and interest payment collection delayed more than 30 days are considered as “Past-due Loan” in the Accounting Practice; group III, IV and V loans defined in the mentioned communiqué are considered as “impaired receivables” without considering refinancing or addition of the accrued interest and quasi-interest principal amount.

The Bank provides specific reserves to Group III, IV and V loans in accordance with “Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside”.

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

II. Explanations Related to Credit Risk (Continued)

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 for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	20,204,198	18,484,138
Conditional and unconditional receivables from regional or local governments	995,628	884,350
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,237,954	10,693,487
Conditional and unconditional corporate receivables	39,857,920	39,707,404
Conditional and unconditional retail receivables	30,196,246	32,414,351
Conditional and unconditional secured mortgage receivables	8,872,358	9,227,854
Past due receivables	1,180,692	842,699
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	2,962,397	2,479,107
Investments in equities	94,290	84,751

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.
(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

Exposure classifications	Prior Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	15,389,442	15,327,804
Conditional and unconditional receivables from regional or local governments	585,021	550,868
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,758,527	5,269,332
Conditional and unconditional corporate receivables	36,195,351	31,761,613
Conditional and unconditional retail receivables	30,829,518	29,205,434
Conditional and unconditional secured mortgage receivables	9,291,797	10,895,068
Past due receivables	733,643	762,861
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,646,373	1,569,251
Investments in equities	57,294	50,150

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.
(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

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

II. Explanations Related to Credit Risk (Continued)

For the positions of the Bank in terms of forward transactions and other similar contracts, operational limits are set by the Board of Directors and the transactions take place within these limits

The fulfillment of the benefits and proceeds related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2018, the receivables of the Bank from its top 100 and top 200 cash loan share in total cash loans are respectively 19.51% and 26.06%. (31 December 2017: 14.99% and 20.05%)

As of 31 December 2018, the receivables of the Bank from its top 100 and top 200 non-cash loan share are 55.11% and 65.42% respectively in the total non-cash loans. (31 December 2017: 47.82% and 58.75%)

As of 31 December 2018, the share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 12.69% and 17.30% respectively. (31 December 2017: 5.89% and 8.30%)

As of 31 December 2017, the general loan loss provision related with the credit risk taken by the Bank is TL1,356,383 (31 December 2017: TL576,339).

Credit Rating System

The credit risk is assessed through the system named as TEBCORE and internal rating system related to Bank's rating scala, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2018, consumer loans, business loans and agriculture loans are excluded from the internal rating system of the Bank and those loans are about 28.15% of total cash and non cash loan portfolio (31 December 2017: 30.56%). Application and behavioral score card models are used in the credit risk evaluation process of consumer and business segments.

The risks that are subject to rating models can be allocated as follows.

Category	Description of Category	Share in the Total % 31.12.2018	Share in the Total % 31.12.2017
1st Category	The borrower has a very strong financial structure	34.37	32.22
2nd Category	The borrower has a good financial structure	24.29	25.88
3rd Category	The borrower has an intermediate level of financial structure	32.04	34.50
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	9.30	7.40
	Total	**100.00**	**100.00**

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

II. Explanations Related to Credit Risk (Continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Current Period																		
Domestic	2,897,307	496,243	-	-	-	1,140,730	26,081,514	20,353,761	3,334,203	1,154,149	-	-	-	-	-	723,084	94,290	56,275,281
European Union (EU) Countries	-	-	-	-	-	833,506	3,494	11,960	4,635	1,759	-	-	-	-	-	15,706	-	871,060
OECD Countries (*)	-	-	-	-	-	64,376	1	1,919	666	2	-	-	-	-	-	1,603	-	68,567
Off-Shore Banking Regions (****)	340,589	-	-	-	-	9	175,649	96,763	62,447	3,402	-	-	-	-	-	193	-	679,052
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	27,522	55,045	2,477	663	2	-	-	-	-	-	-	-	85,709
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986
Unallocated Assets/Liabilities (*	-	1,895	-	-	-	373,430	13,004,299	2,174,176	103,626	96,068	-	-	-	-	-	2,242	-	15,755,736
Total	**3,237,896**	**498,138**	**-**	**-**	**-**	**2,439,573**	**39,320,002**	**22,641,056**	**3,506,240**	**1,255,382**	**-**	**-**	**-**	**-**	**-**	**858,814**	**94,290**	**73,851,391**

(*) Includes OECD countries other than EU countries, USA and Canada.

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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

II. Explanations Related to Credit Risk (Continued)

Profile of significant exposures in major regions: (Continued)

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Prior Period																		
Domestic	169,365	290,256	-	-	-	1,411,210	23,582,726	20,775,083	3,427,550	958,612	-	-	-	-	-	526,403	57,294	51,198,499
European Union (EU) Countries	-	-	-	-	-	895,438	31,011	7,497	4,017	1,330	-	-	-	-	-	1,570	-	940,863
OECD Countries (*)	-	-	-	-	-	48,449	14	1,756	840	6	-	-	-	-	-	5,748	-	56,813
Off-Shore Banking Regions (****)	236,336	-	-	-	-	9	207,620	88,731	57,760	2,130	-	-	-	-	-	159	-	592,745
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	20,702	59,233	1,314	810	1	-	-	-	-	-	-	-	82,060
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986
Unallocated Assets/Liabilities (**)	-	2,982	-	-	-	268,844	11,317,108	2,243,924	91,983	33,118	-	-	-	-	-	2,328	-	13,960,287
Total	**405,701**	**293,238**	**-**	**-**	**-**	**2,644,652**	**35,197,712**	**23,118,305**	**3,582,960**	**995,197**	**-**	**-**	**-**	**-**	**-**	**652,194**	**57,294**	**66,947,253**

(*) Includes OECD countries other than EU countries, USA and Canada.

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions

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

II. Explanations Related to Credit Risk (Continued)

Risk profile by Sectors or Counterparties:

	Exposure Categories (**)																			
Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	499,473	1,104,009	59,990	103,504	-	-	-	-	-	1,603	-	1,549,323	219,256	1,768,579
Farming and Stockbreeding	-	-	-	-	-	-	450,784	1,088,698	59,793	97,433	-	-	-	-	-	1,603	-	1,486,607	211,704	1,698,311
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	48,689	15,311	197	6,071	-	-	-	-	-	-	-	62,716	7,552	70,268
Manufacturing	-	-	-	-	-	-	21,353,837	5,209,497	650,798	401,253	-	-	-	-	-	-	-	15,856,979	11,758,406	27,615,385
Mining and Quarrying	-	-	-	-	-	-	1,755,659	273,009	31,174	13,587	-	-	-	-	-	-	-	1,636,395	437,034	2,073,429
Production	-	-	-	-	-	-	18,460,148	4,902,792	611,305	384,184	-	-	-	-	-	-	-	13,718,318	10,640,111	24,358,429
Electricity, Gas and Water	-	-	-	-	-	-	1,138,030	33,696	8,319	3,482	-	-	-	-	-	-	-	502,266	681,261	1,183,527
Construction	-	-	-	-	-	-	3,190,815	1,133,385	180,805	162,842	-	-	-	-	-	-	-	2,895,546	1,772,301	4,667,847
Services	3,237,896	498,138	-	-	-	2,439,573	14,057,076	5,966,289	1,051,443	509,690	-	-	-	-	-	838,426	88,526	16,209,276	12,477,781	28,687,057
Wholesale and Retail Trade	-	-	-	-	-	-	5,223,791	2,914,857	357,133	240,040	-	-	-	-	-	6,398	-	6,375,421	2,366,798	8,742,219
Accommodation and Dining	-	-	-	-	-	-	998,520	426,967	294,529	38,500	-	-	-	-	-	-	-	886,891	871,625	1,758,516
Transportation and Telecom.	-	-	-	-	-	-	1,642,439	1,125,693	106,724	107,022	-	-	-	-	-	13	-	2,284,721	697,170	2,981,891
Financial Institutions	3,237,896	-	-	-	-	2,439,573	1,975,695	47,400	3,977	7,442	-	-	-	-	-	831,952	88,526	2,644,343	5,988,118	8,632,461
Real Estate and Rental Services	-	-	-	-	-	-	3,615,551	1,081,627	246,206	100,257	-	-	-	-	-	56	-	2,635,722	2,407,975	5,043,697
Self-Employment Services	-	-	-	-	-	-	428,499	311,725	37,841	16,139	-	-	-	-	-	-	-	653,095	141,109	794,204
Educational Services	-	-	-	-	-	-	21,385	51,724	4,181	271	-	-	-	-	-	3	-	74,362	3,202	77,564
Health and Social Services	-	498,138	-	-	-	-	151,196	6,296	852	19	-	-	-	-	-	4	-	654,721	1,784	656,505
Other	-	-	-	-	-	-	218,801	9,227,876	1,563,204	78,093	-	-	-	-	-	18,785	5,764	11,023,798	88,725	11,112,523
Total	**3,237,896**	**498,138**	**-**	**-**	**-**	**2,439,573**	**39,320,002**	**22,641,056**	**3,506,240**	**1,255,382**	**-**	**-**	**-**	**-**	**-**	**858,814**	**94,290**	**47,534,922**	**26,316,469**	**73,851,391**

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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

II. Explanations Related to Credit Risk (Continued)

Risk profile by Sectors or Counterparties: (Continued)

	Exposure Categories (**)																			
Prior Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	**Total**
Agriculture	-	-	-	-	-	-	650,635	1,122,211	85,272	80,422	-	-	-	-	-	5,748	-	1,774,495	169,793	1,944,288
Farming and Stockbreeding	-	-	-	-	-	-	598,041	1,105,714	84,383	78,226	-	-	-	-	-	5,748	-	1,718,850	153,262	1,872,112
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	52,594	16,497	889	2,196	-	-	-	-	-	-	-	55,645	16,531	72,176
Manufacturing	-	-	-	-	-	-	17,039,930	5,599,685	470,320	288,949	-	-	-	-	-	3	-	13,706,942	9,691,945	23,398,887
Mining and Quarrying	-	-	-	-	-	-	1,124,207	281,185	31,329	4,558	-	-	-	-	-	-	-	894,665	546,614	1,441,279
Production	-	-	-	-	-	-	15,212,420	5,298,546	430,595	282,486	-	-	-	-	-	3	-	12,539,755	8,684,295	21,224,050
Electricity, Gas and Water	-	-	-	-	-	-	703,303	19,954	8,396	1,905	-	-	-	-	-	-	-	272,522	461,036	733,558
Construction	-	-	-	-	-	-	3,260,017	1,477,482	279,655	107,938	-	-	-	-	-	-	-	3,532,948	1,592,144	5,125,092
Services	405,701	293,238	-	-	-	2,644,652	13,709,172	6,651,810	870,126	405,472	-	-	-	-	-	645,686	57,131	16,262,158	9,420,830	25,682,988
Wholesale and Retail Trade	-	-	-	-	-	-	5,299,828	3,303,935	308,213	187,682	-	-	-	-	-	820	-	6,811,926	2,288,552	9,100,478
Accommodation and Dining	-	-	-	-	-	-	1,142,026	441,391	205,419	22,940	-	-	-	-	-	-	-	905,617	906,159	1,811,776
Transportation and Telecom.	-	-	-	-	-	-	2,021,199	1,311,855	112,216	96,392	-	-	-	-	-	230	-	2,699,714	842,178	3,541,892
Financial Institutions	405,701	-	-	-	-	2,644,652	1,944,101	50,870	2,949	7,015	-	-	-	-	-	644,574	57,131	2,606,826	3,150,167	5,756,993
Real Estate and Rental Services	-	-	-	-	-	-	2,733,017	1,117,702	210,534	81,208	-	-	-	-	-	56	-	2,046,211	2,096,306	4,142,517
Self-Employment Services	-	-	-	-	-	-	396,390	365,949	26,540	9,391	-	-	-	-	-	-	-	663,402	134,868	798,270
Educational Services	-	-	-	-	-	-	15,958	50,876	3,558	669	-	-	-	-	-	2	-	70,995	68	71,063
Health and Social Services	-	293,238	-	-	-	-	156,653	9,232	697	175	-	-	-	-	-	4	-	457,467	2,532	459,999
Other	-	-	-	-	-	-	537,958	8,267,117	1,877,587	112,416	-	-	-	-	-	757	163	10,578,731	217,267	10,795,998
Total	**405,701**	**293,238**	**-**	**-**	**-**	**2,644,652**	**35,197,712**	**23,118,305**	**3,582,960**	**995,197**	**-**	**-**	**-**	**-**	**-**	**652,194**	**57,294**	**45,855,274**	**21,091,979**	**66,947,253**

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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

II. Explanations Related to Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	**Term To Maturity**				
Exposure classifications	**Up to 1 Month**	**1-3 Month**	**3-6 Month**	**6-12 Month**	**Over 1 year**
Conditional and unconditional exposures to central governments or central banks	2,822,016	1,055	-	-	405,667
Conditional and unconditional exposures to regional governments or local authorities	248	1,956	3,723	9,493	480,822
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	819,947	34,576	520,202	190,462	67,727
Conditional and unconditional exposures to corporates	6,792,023	3,451,226	2,916,335	3,862,111	9,280,123
Conditional and unconditional retail exposures	5,632,259	676,518	1,865,958	1,778,861	10,505,072
Conditional and unconditional exposures secured by real estate property	591,351	103,932	155,687	173,841	2,377,331
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	6,798	-	-	-	-
Investment in equities	-	-	-	-	-
Total	**16,664,642**	**4,269,263**	**5,461,905**	**6,014,768**	**23,116,742**

Prior Period	**Term To Maturity**				
Exposure classifications	**Up to 1 Month**	**1-3 Month**	**3-6 Month**	**6-12 Month**	**Over 1 year**
Conditional and unconditional exposures to central governments or central banks	309,221	3,782	2,269	-	18,837
Conditional and unconditional exposures to regional governments or local authorities	47	1,778	1,655	8,096	278,675
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,419,781	205,614	114,282	81,647	225,198
Conditional and unconditional exposures to corporates	6,183,447	2,188,897	2,270,131	3,898,660	9,333,917
Conditional and unconditional retail exposures	5,053,048	622,267	1,602,024	1,764,520	11,825,609
Conditional and unconditional exposures secured by real estate property	539,951	73,276	118,625	181,957	2,576,300
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	3,370	-	-	-	-
Investment in equities	41,890	-	-	15,404	-
Total	**13,550,755**	**3,095,614**	**4,108,986**	**5,950,284**	**24,258,536**

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

II. Explanations Related to Credit Risk (Continued)

Information about the risk exposure categories:

The credit rating of Fitch Ratings International Rating Agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)'s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	19,033,141	-	5,195,722	6,199,592	6,429,362	30,181,213	44,104,362	458,291	-	-	-	580,828
Exposures after Credit Risk Mitigation	24,252,420	-	5,379,294	6,199,592	6,678,969	25,338,334	41,277,697	414,712	-	-	-	580,828

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	15,964,836	-	3,191,048	7,086,255	6,033,487	30,816,677	36,784,784	609,879	-	-	-	577,285
Exposures after Credit Risk Mitigation	22,691,918	-	3,021,680	7,086,255	6,073,266	24,978,936	34,044,366	536,598	-	-	-	577,285

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

II. Explanations Related to Credit Risk (Continued)

Information in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits – Impaired Receivables (TFRS 9) – Significant Increase in Credit Risk (Stage II)	Credits – Impaired Receivables (TFRS 9) – Credit-Impaired Losses (Stage III)	Provisions – Expected Credit Loss Provisions
Agriculture	557,694	195,261	161,407
Farming and Stockbreeding	555,121	187,660	158,467
Forestry	-	6,769	2,096
Fishery	2,573	832	844
Manufacturing	2,135,001	533,059	462,730
Mining and Quarrying	139,300	61,975	45,364
Production	1,898,323	465,984	405,512
Electricity, Gas and Water	97,378	5,100	11,854
Services	3,529,764	1,365,979	1,211,277
Wholesale and Retail Trade	1,143,084	1,000,379	699,641
Accommodation and Dining	915,127	76,779	166,165
Transportation and Telecom.	399,702	85,097	100,109
Financial Institutions	196,071	28,537	55,214
Real Estate and Rental Services	746,124	96,886	130,303
Professional Services	97,179	61,609	47,625
Educational Services	29,756	14,320	10,360
Health and Social Services	2,721	2,372	1,860
Other	3,966,519	680,445	658,980
Total	**10,188,978**	**2,774,744**	**2,494,394**

Prior Period Major Sectors / Counterparties	Credits – Impaired Credits	Credits – Past Due Credits	Value Adjustments	Provisions
Agriculture	129,231	197,073	2,661	72,111
Farming and Stockbreeding	126,393	179,124	2,419	70,905
Forestry	246	1,709	23	115
Fishery	2,592	16,240	219	1,091
Manufacturing	656,462	344,785	4,656	462,636
Mining and Quarrying	13,753	15,532	210	9,332
Production	640,316	323,162	4,364	452,088
Electricity, Gas and Water	2,393	6,091	82	1,216
Construction	174,214	231,963	3,132	105,997
Services	718,640	1,117,049	15,084	441,852
Wholesale and Retail Trade	346,678	702,789	9,490	216,259
Accommodation and Dining	38,155	206,049	2,782	22,317
Transportation and Telecom.	165,025	136,374	1,842	100,373
Financial Institutions	6,066	3,090	42	2,178
Real Estate and Rental Services	139,364	-	-	84,672
Professional Services	21,506	37,534	507	14,791
Educational Services	1,399	5,638	76	942
Health and Social Services	447	25,575	345	320
Other	268,078	965,096	13,033	160,215
Total	**1,946,625**	**2,855,966**	**38,566**	**1,242,811**

Information about Value Adjustment and Change in Provisions

	31.12.2017	IFRS 9 Transition Effect	Provision for Period	Provision Reversal	Write off from Asset	Other Adjustment (*)	31.12.2018
Default (3. Stage / Specific Provision)	1,242,811	25,747	917,529	(54,623)	(476,477)	3,193	1,658,180
Expected Loss Provisions (1. and 2.Stage))	576,339	443,827	503,721	(163,384)	-	(4,120)	1,356,383

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

Current Period	31.12.2016 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments (*)	31.12.2017 Balance
Specific Provisions	1,214,281	846,493	(262,207)	(555,756)	-	1,242,811
General Provisions	683,893	14,948	(122,502)	-	-	576,339

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

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

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation:

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	60,879,800	690	60,880,490
England	358,800	-	358,800
TRNC	316,496	-	316,496
The Ivory Coast	43,903	-	43,903
Egypt	11,366	-	11,366
Russia	8,502	-	8,502
Germany	7,344	-	7,344
Other	14,946	-	14,946
	61,641,157	**690**	**61,641,847**

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	55,637,439	405,381	56,042,820
TRNC	319,599	-	319,599
England	138,908	9	138,917
The Ivory Coast	45,817	-	45,817
Germany	32,487	-	32,487
Russia	25,157	294	25,451
Bulgaria	18,218	-	18,218
Egypt	13,110	-	13,110
Other	19,616	11	19,627
	56,250,351	**405,695**	**56,656,046**

IV. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate changes in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible value changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee on a weekly basis.

As of 31 December 2018, the Bank's balance sheet short position is TL9,614,191 (31 December 2017: TL10,327,088 short position), off-balance sheet long position is TL10,013,090 (31 December 2017: TL10,443,721 long position) and as a result foreign currency net long position is TL398,899 (31 December 2017: net TL116,633 long position).

The announced current foreign exchange buying rates of the Bank at 31 December 2018 and the previous five working days in full TL are as follows:

	24.12.2018	**25.12.2018**	**26.12.2018**	**27.12.2018**	**28.12.2018**	**31.12.2018**
USD	5.2778	5.2875	5.2681	5.2731	5.2562	5.274
JPY	0.0477	0.0479	0.0477	0.0476	0.0476	0.0479
EUR	6.0246	6.0077	5.9977	6.0092	6.0215	6.0361

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

IV. Explanations Related to Currency Risk (Continued)

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2018 are as follows:

	Monthly Average Foreign Exchange Rate
USD	5.2906
JPY	0.0471
EUR	6.0203

Currency risk sensitivity:

The Bank is exposed to foreign exchange risk in EURO and USD.

The following table details the Bank's sensitivity to a 10% change in USD and EUR exchange rates. The 10% rate used is the rate that the currency risk is reported to the senior management in the Bank. This ratio represents the possible change expected by the management in exchange rates. 10% depreciation of USD and EURO against TL affects profit and equity amounts positively if there is a short position, affects negatively if there is long position.

Change in exchange rate (%)		**Effect on Profit/Loss**	**Effect on Equity (*)**
		31 December 2018	**31 December 2018**
USD	10 increase	7,949	(833)
USD	10 decrease	(7,949)	833
EURO	10 increase	(293)	(514)
EURO	10 decrease	293	514

Change in exchange rate (%)		**Effect on Profit/Loss**	**Effect on Equity (*)**
		31 December 2017	**31 December 2017**
USD	10 increase	(7,369)	972
USD	10 decrease	7,369	(972)
EURO	10 increase	(960)	45
EURO	10 decrease	960	(45)

(*) The effect on the equity does not include the effect of the change in exchange rates on the income statement.

The Bank's sensitivity to change in foreign exchange rates did not change significantly in the current period. Opening or closing positions in line with market expectations may increase the sensitivity to change in exchange rates during the period.

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

IV. Explanations Related to Currency Risk. (Continued)

Information on the foreign currency risk of the Bank:

The table below shows the Bank's distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2018, the Bank has net USD long position TL60,839 and net EUR short position TL11,443.

Current Period	**EUR**	**USD**	**Other FC**	**Total**
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	7,131,200	5,790,929	780,374	13,702,503
Banks	1,182,694	872,166	973,320	3,028,180
Financial Assets at Fair Value through Profit and Loss	68,670	120,617	-	189,287
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	321	408,467	16,750	425,538
Loans (**)	9,951,841	3,237,449	1,803,283	14,992,573
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (*****)	307,007	24,994	5,283	337,284
Total Assets	**18,641,733**	**10,454,622**	**3,579,010**	**32,675,365**
Liabilities				
Bank Deposits	32,210	-	6	32,216
Foreign Currency Deposits (*)	7,826,943	16,924,830	2,322,860	27,074,633
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	6,766,595	6,402,657	1,196,501	14,365,753
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	4,857	-	-	4,857
Other Liabilities (***)	447,381	323,157	41,559	812,097
Total Liabilities	**15,077,986**	**23,650,644**	**3,560,926**	**42,289,556**
Net Balance Sheet Position	**3,563,747**	**(13,196,022)**	**18,084**	**(9,614,191)**
Net Off-Balance Sheet Position	**(3,989,557)**	**14,029,951**	**(27,304)**	**10,013,090**
Financial Derivative Assets (****)	9,515,256	27,120,475	892,119	37,527,850
Financial Derivative Liabilities (****)	13,504,813	13,090,524	919,423	27,514,760
Non-Cash Loans (******)	6,531,063	5,941,120	896,004	13,368,187
Prior Period				
Total Assets	13,366,058	9,272,895	4,377,366	27,016,319
Total Liabilities	13,737,964	19,227,173	4,378,270	37,343,407
Net Balance Sheet Position	(371,906)	(9,954,278)	(904)	(10,327,088)
Net Off-Balance Sheet Position	44,990	10,424,488	(25,757)	10,443,721
Financial Derivative Assets (****)	8,924,989	26,256,628	863,476	36,045,093
Financial Derivative Liabilities (****)	8,879,999	15,832,140	889,233	25,601,372
Non-Cash Loans (******)	6,050,326	5,487,498	252,325	11,790,149

(*) Precious metal accounts amounting to TL1,182,236 (31 December 2017: TL692,499) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL1,337,691 (31 December 2017: TL2,801,409) are included in the loan portfolio.

(***) TL70,397 (31 December 2017: TL78,260) expense accruals from derivative financial instruments are deducted from other liabilities.

(****) Forward asset and marketable securities purchase-sale commitments of TL1,076,006 (31 December 2017: TL2,363,470) are added to derivative financial assets and TL970,306 (31 December 2017: TL2,554,736) has been added to derivative financial liabilities.

(*****) TL200,454 (31 December 2017: TL62,873) income accruals from derivative financial instruments is deducted from other assets.

(******) There are no effects on the net off-balance sheet position.

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

V. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Liquidity Risk and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank.

The Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

Since the Bank does not allow maturity mismatches or imposes limits on mismatch, no significant interest rate risk exposure is expected.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	12,069,370	-	-	-	-	3,591,682	15,661,052
Banks	2,946,059	-	-	-	-	972,377	3,918,436
Financial Assets at Fair Value Through Profit and Loss	56,889	18,679	18,937	117,376	316,013	88,680	616,574
Money Market Placements	281,696	-	-	-	-	-	281,696
Financial Assets at Fair Value Through Other Comprehensive Income	496,598	156,047	1,642,804	608,100	382,198	5,610	3,291,357
Loans (*)	16,238,534	5,258,061	12,002,096	24,529,354	4,844,969	1,125,809	63,998,823
Financial Assets Measured at Amortized Cost	51,006	777,955	1,963,119	-	-	-	2,792,080
Other Assets	245,013	83,555	378,505	1,313,595	31,531	4,384,947	6,437,146
Total Assets	**32,385,165**	**6,294,297**	**16,005,461**	**26,568,425**	**5,574,711**	**10,169,105**	**96,997,164**
Liabilities							
Bank Deposits	227,383	-	-	-	-	47,697	275,080
Other Deposits	41,252,575	8,292,678	2,790,922	8,753	-	11,597,158	63,942,086
Money Market Borrowings	62,543	-	-	-	-	-	62,543
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	368,498	158,094	-	-	-	-	526,592
Funds Provided From Other Financial Institutions	2,369,599	3,406,012	6,831,921	121,305	1,880,474	-	14,609,311
Other Liabilities	84,363	178,702	187,209	932,224	11,292	16,187,762	17,581,552
Total Liabilities	**44,364,961**	**12,035,486**	**9,810,052**	**1,062,282**	**1,891,766**	**27,832,617**	**96,997,164**
Balance Sheet Long Position	-	-	6,195,409	25,506,143	3,682,945	-	35,384,497
Balance Sheet Short Position	(11,979,796)	(5,741,189)	-	-	-	(17,663,512)	(35,384,497)
Off-Balance Sheet Long Position	13,311,342	-	-	-	-	-	13,311,342
Off-Balance Sheet Short Position	-	(1,554,023)	(5,253,328)	(5,630,348)	(123,999)	-	(12,561,698)
Total Position	**1,331,546**	**(7,295,212)**	**942,081**	**19,875,795**	**3,558,946**	**(17,663,512)**	**749,644**

(*) Revolving loans amounting to TL7,205,162 are included in "Up to 1 Month".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL292,290 intangible assets amounting to TL528,440, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL109,104 while other liabilities line includes the shareholders' equity of TL9,738,508

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

V. Explanations Related to Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (Continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,936,275	-	-	-	-	2,039,497	10,975,772
Banks	1,611,119	-	-	-	-	902,218	2,513,337
Financial Assets at Fair Value Through Profit and Loss	116,906	75,855	99,297	350,591	70,741	692,814	1,406,204
Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	401,236	873,755	2,226,778	1,080,632	55,769	57,294	4,695,464
Loans (*)	15,311,197	3,700,898	11,301,111	25,740,100	6,530,415	707,056	63,290,777
Financial Assets Measured at Amortized Cost	40,737	112,666	248,451	-	-	-	401,854
Other Assets	77,090	4,454	2,115	3,616	-	2,387,546	2,474,821
Total Assets	**26,494,560**	**4,767,628**	**13,877,752**	**27,174,939**	**6,656,925**	**6,786,425**	**85,758,229**
Liabilities							
Bank Deposits	258,821	-	-	-	-	20,549	279,370
Other Deposits	38,326,928	6,231,923	1,253,745	773	120	9,483,857	55,297,346
Money Market Borrowings	105,206	-	-	-	-	-	105,206
Miscellaneous Payables	-	-	-	-	-	1,439,685	1,439,685
Securities Issued	-	992,862	296,826	-	-	-	1,289,688
Funds Provided From Other Financial Institutions	3,251,295	3,308,342	8,403,975	117,483	-	-	15,081,095
Other Liabilities	176,173	60,976	88,843	341,361	2,274	11,596,212	12,265,839
Total Liabilities	**42,118,423**	**10,594,103**	**10,043,389**	**459,617**	**2,394**	**22,540,303**	**85,758,229**
Balance Sheet Long Position	-	-	3,834,363	26,715,322	6,654,531	-	37,204,216
Balance Sheet Short Position	(15,623,863)	(5,826,475)	-	-	-	(15,753,878)	(37,204,216)
Off-Balance Sheet Long Position	9,149,837	69,037	-	-	-	-	9,218,874
Off-Balance Sheet Short Position	-	-	(1,657,178)	(7,347,502)	(161,330)	-	(9,166,010)
Total Position	**(6,474,026)**	**(5,757,438)**	**2,177,185**	**19,367,820**	**6,493,201**	**(15,753,878)**	**52,864**

(*) Revolving loans amounting to TL7,128,307 are included in "Up to 1 Month", income accrual of TL99 due to changes in the fair value of the loans hedged is presented in "1-3 Months" maturity schedule.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL271,622, intangible assets amounting to TL519,770, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL90,677 while other liabilities line includes the shareholders' equity of TL9,019,677.

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

V. Explanations Related to Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	13.00
Banks	(0.55)	2.30	-	24.09
Financial Assets at Fair Value Through Profit and Loss	4.89	6.53	-	18.54
Money Market Placements	-	-	-	25.47
Financial Assets at Fair Value Through Other Comprehensive Income	2.77	6.67	-	23.08
Loans	3.66	6.24	5.15	20.05
Financial Assets Measured at Amortized Cost	-	-	-	22.21
Liabilities				
Bank Deposits			-	14.08
Other Deposits	1.34	3.77	1.57	22.01
Money Market Borrowings	-	-	-	25.03
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	24.40
Funds Provided From Other Financial Institutions	1.76	5.23	-	11.84

	EUR %	USD %	YEN %	TL %
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.50	-	4.00
Banks	(0.45)	1.25	-	12.78
Financial Assets at Fair Value Through Profit and Loss	1.99	4.78	-	13.83
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	0.99	4.87	-	13.02
Loans	3.18	4.54	4.95	15.30
Financial Assets Measured at Amortized Cost	-	-	-	15.49
Liabilities				
Bank Deposits	-	-	-	4.11
Other Deposits	1.40	3.20	1.41	13.45
Money Market Borrowings	-	-	-	12.26
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	13.93
Funds Provided From Other Financial Institutions	1.28	3.09	-	6.68

Interest rate risk on banking accounts:

a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities.

Early repayment rate of loans is determined upon auditing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.

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

V. Explanations Related to Interest Rate Risk (Continued)

Interest rate risk on banking accounts:

b) Economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulting from the banking accounts as per standard shock method”:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity-(Losses)/Equity
TL	(400)	802,302	6.24%
TL	500	(892,217)	(6.94)%
EUR	(200)	31,754	0.25%
EUR	200	(24,292)	(0.19)%
USD	(200)	29,989	0.23%
USD	200	(19,668)	(0.15)%
Total (of negative shocks)	**(800)**	**864,045**	**6.72%**
Total (of positive shocks)	**900**	**(936,177)**	**(7.28)%**

VI. Explanations Related to Share Certificates Position Risk from Banking Book

Equity securities which are not publicly traded are booked at their fair values, or otherwise booked at their cost values if calculation of fair value is not determined properly.

The Bank has no stocks traded in Istanbul Stock Exchange.

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio

a) Information on liquidity risk management, such as the Bank's risk capacity, responsibilities and the structure of liquidity risk management, Bank’s internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for monitoring the Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group uses authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for developing/setting middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks, and at a Liquidity Risk Committee meeting which is held monthly.

b) Information on the centralization degree of liquidity management and funding strategy and on operations between the Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Bank's liquidity risk and performs this role only for the Bank. Liquidity gap values are monitored within the limits set by the Board of Directors and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity, and we provide them borrowing facilities within market conditions and legal limits.

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

c) Information about the Bank's funding strategy including the policies on funding types and variety of maturities:

While the Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the Bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Bank uses instruments such as long-term syndicated loans, securities issued in TL, and foreign currency to diversify funding resources.

d) Information on liquidity management based on currency which consists of a minimum of 5% of the Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager Responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

e) Information on liquidity risk mitigation techniques:

The Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Asset-Liability Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FC swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term

f) Explanations on the usage of the stress test:

The aim of the liquidity stress test is to analyze how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine:

- Whether the liquidity problem is specific to the Bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Assets-Liabilities Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio:

		Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
Current Period – 31 December 2018		**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets					
1	High Quality Liquid Assets			19,863,412	12,787,421
Cash Outflows					
2	Real Person and Retail Deposits	46,047,668	19,001,748	4,231,081	1,900,175
3	Stable Deposits	7,473,714	-	373,686	-
4	Less Stable Deposits	38,573,954	19,001,748	3,857,395	1,900,175
5	Unsecured Debts Other than Real Person and Retail Deposits	20,490,098	11,165,935	10,525,594	5,868,710
6	Operational Deposits	77,909	-	19,477	-
7	Non-Operational Deposits	17,138,861	9,048,318	7,263,320	3,751,093
8	Other Unsecured Funding	3,273,328	2,117,617	3,242,797	2,117,617
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	2,330,531	4,885,588	2,330,531	4,885,588
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	2,330,531	4,885,588	2,330,531	4,885,588
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitment Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	30,608,384	11,731,104	2,523,910	1,141,458
16	**Total Cash Outflows**			**19,611,116**	**13,795,931**
Cash Inflows					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	15,351,445	9,923,979	12,307,906	9,191,743
19	Other cash Inflows	604,281	7,531,871	604,281	7,531,871
20	**Total Cash Inflows**	**15,955,726**	**17,455,850**	**12,912,187**	**16,723,614**
				Values to which the upper limit is applied	
21	**Total High Quality Liquid Assets**			**19,863,412**	**12,787,421**
22	**Total Net Cash Outflows**			**6,698,929**	**3,448,983**
23	**Liquidity Coverage Ratio (%)**			**296.52**	**370.76**

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio: (continued)

		Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
Prior Period - 31 December 2017		**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets					
1	High Quality Liquid Assets			15,637,407	9,176,269
Cash Outflows					
2	Small Business Customers and Retail Deposits	35,487,852	14,376,874	3,198,478	1,437,687
3	Stable Deposits	7,006,143	-	350,307	-
4	Less Stable Deposits	28,481,709	14,376,874	2,848,171	1,437,687
5	Unsecured Debts Other than Real Person and Retail Deposits	17,773,537	9,224,213	9,268,967	5,317,097
6	Operational Deposits	1,392,091	758,149	348,023	189,537
7	Non-Operational Deposits	14,367,443	7,329,306	6,956,571	3,990,802
8	Other Unsecured Funding	2,014,003	1,136,758	1,964,373	1,136,758
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	8,118,155	5,689,887	8,118,155	5,689,887
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	8,118,155	5,689,887	8,118,155	5,689,887
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	28,632,503	10,121,458	2,247,325	946,802
16	**Total Cash Outflows**			**22,832,925**	**13,391,473**
Cash Inflows					
17	Secured Liabilities	-	-	-	-
18	Unsecured Liabilities	8,201,020	3,647,482	5,757,090	2,850,708
19	Other Cash Inflows	7,593,633	13,285,978	7,593,633	13,285,978
20	**Total Cash Inflows**	**15,794,653**	**16,933,460**	**13,350,723**	**16,136,686**
			Values to which the upper limit is applied		
21	**Total High Quality Liquid Assets**			**15,637,407**	**9,176,269**
22	**Total Net Cash Outflows**			**9,482,202**	**3,347,868**
23	**Liquidity Coverage Ratio (%)**			**164.91**	**274.09**

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order of their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio: (Continued)

Liquidity management of subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section two of communiqué.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	**FC**	**TL+FC**	**FC**
Lowest Week	251.23%	282.54%	129.25%	204.11%
	09.11.2018	26.10.2018	13.10.2017	27.10.2017
Highest Week	412.39%	495.66%	212.83%	337.96%
	21.12.2018	14.12.2018	15.12.2017	15.12.2017

Presentation 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	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	3,591,682	12,069,370	-	-	-	-	-	15,661,052
Banks	972,377	2,946,059	-	-	-	-	-	3,918,436
Financial Assets at Fair Value Through Profit and Loss	-	223	1,361	17,490	192,702	316,118	88,680	616,574
Money Market Placements	-	281,696	-	-	-	-	-	281,696
Financial Assets at Fair Value Through Other Comprehensive Income	5,610	19,968	156,047	1,220,312	1,166,136	723,284	-	3,291,357
Loans (**)	-	16,230,619	5,253,122	12,002,096	24,551,453	4,844,969	1,116,564	63,998,823
Financial Assets Measured at Amortized Cost	-	-	-	-	2,198,759	593,321	-	2,792,080
Other Assets	-	431,149	391,939	795,220	1,464,795	31,531	3,322,512	6,437,146
Total Assets	**4,569,669**	**31,979,084**	**5,802,469**	**14,035,118**	**29,573,845**	**6,509,223**	**4,527,756**	**96,997,164**
Liabilities								
Bank Deposits	47,697	227,383	-	-	-	-	-	275,080
Other Deposits	11,597,158	41,243,720	8,289,682	2,802,773	8,753	-	-	63,942,086
Funds Provided From Other Financial Institutions	-	1,735,511	2,725,945	6,962,675	342,031	2,843,149	-	14,609,311
Money Market Borrowings	-	62,543	-	-	-	-	-	62,543
Securities Issued	-	368,498	158,094	-	-	-	-	526,592
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	-	4,640,894	626,129	834,545	1,070,052	11,292	10,398,640	17,581,552
Total Liabilities	**11,644,855**	**48,278,549**	**11,799,850**	**10,599,993**	**1,420,836**	**2,854,441**	**10,398,640**	**96,997,164**
Liquidity Gap	**(7,075,186)**	**(16,299,465)**	**(5,997,381)**	**3,435,125**	**28,153,009**	**3,654,782**	**(5,870,884)**	**-**
Net Off-Balance Sheet Position	**-**	**147,524**	**(56,654)**	**(3,761)**	**375,087**	**1,838**	**-**	**464,034**
Financial Derivative Assets	-	13,461,374	10,708,847	16,665,546	14,044,584	646,865	-	55,527,216
Financial Derivative Liabilities	-	13,313,850	10,765,501	16,669,307	13,669,497	645,027	-	55,063,182
Non-Cash Loans	6,070,838	1,470,618	2,589,098	5,765,025	6,774,921	-		22,670,500
Prior Period								
Total Assets	2,999,009	26,131,159	3,916,772	12,292,976	30,075,541	7,251,412	3,091,360	85,758,229
Total Liabilities	9,504,406	44,075,226	9,899,592	8,785,739	1,140,587	2,317,229	10,035,450	85,758,229
Liquidity Gap	**(6,505,397)**	**(17,944,067)**	**(5,982,820)**	**3,507,237**	**28,934,954**	**4,934,183**	**(6,944,090)**	**-**
Net Off-Balance Sheet Position	**-**	**(112,505)**	**(104,333)**	**230,224**	**81,010**	**(2,254)**	**-**	**92,142**
Financial Derivative Assets	-	19,107,247	9,546,026	16,619,829	12,584,766	396,328	-	58,254,196
Financial Derivative Liabilities	-	19,219,752	9,650,359	16,389,605	12,503,756	398,582	-	58,162,054
Non-Cash Loans	5,544,145	1,011,848	2,529,575	6,556,744	4,940,070	-	-	20,582,382

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

(**) Revolving loans amounting to TL7,205,162 (31 December 2017: TL7,128,307) are included in “Up to 1 Month”

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
31 December 2018								
Money Market Borrowings	-	62,586	-	-	-	-	(43)	62,543
Deposit	11,597,158	41,406,134	8,487,709	3,033,077	10,606	-	(592,598)	63,942,086
Bank Deposit	47,697	227,557	-	-	-	-	(174)	275,080
Funds Borrowed From Other Financial Institutions	-	1,946,439	2,747,162	7,335,274	543,770	4,446,642	(2,409,976)	14,609,311
Total	**11,644,855**	**43,642,716**	**11,234,871**	**10,368,351**	**554,376**	**4,446,642**	**(3,002,791)**	**78,889,020**
31 December 2017								
Money Market Borrowings	-	105,241	-	-	-	-	(35)	105,206
Deposit	9,483,857	38,454,190	6,303,782	1,331,060	823	249	(276,615)	55,297,346
Bank Deposit	20,549	258,877	-	-	-	-	(56)	279,370
Funds Borrowed From Other Financial Institutions	-	2,876,241	2,524,394	7,387,305	713,327	2,865,579	(1,285,751)	15,081,095
Total	**9,504,406**	**41,694,549**	**8,828,176**	**8,718,365**	**714,150**	**2,865,828**	**(1,562,457)**	**70,763,017**

Analysis of contractual expiry by maturity of the Bank’s derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
31 December 2018						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	1,478,649	1,269,268	992,614	1,429,446	133,980	5,303,957
Held for trading transactions						
Foreign exchange forward contracts-sell	1,420,228	1,571,984	2,149,526	735,469	-	5,877,207
Currency swaps-sell	7,774,826	7,166,400	7,779,132	8,143,920	179,003	31,043,281
Interest rate swaps-sell	1,807	783	15,680	106,620	5,816	130,706
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	1,523,162	2,271,203	2,508,514	11,330	-	6,314,209
Total	**12,198,672**	**12,279,638**	**13,445,466**	**10,426,785**	**318,799**	**48,669,360**
31 December 2017						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	227,188	-	-	-	227,188
Cash flow hedge	1,646,639	129,974	790,267	877,696	-	3,444,576
Held for trading transactions						
Foreign exchange forward contracts-sell	2,909,601	2,026,037	2,604,450	1,079,295	6,566	8,625,949
Currency swaps-sell	11,237,673	5,104,670	8,155,829	4,060,585	185,007	28,743,764
Interest rate swaps-sell	2,459	308	4,360	13,301	3,917	24,345
Foreign currency futures-sell	-	278,665	185,620	-	-	464,285
Foreign currency options-sell	2,274,207	1,959,171	3,248,756	205,027	-	7,687,161
Total	**18,070,579**	**9,726,013**	**14,989,282**	**6,235,904**	**195,490**	**49,217,268**

Cash disposal of derivative financial instruments is shown in the table above.

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

VIII. Explanations Related to Leverage Ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

There is a slight increase in the leverage ratio in line with the increase in cash loan portfolio and capital.

b) Leverage ratio:

	Assets on the Balance Sheet	Current Period(*)	Prior Period(*)
1	Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	97,481,641	84,431,610
2	(Assets Deducted from Core Capital)	(556,281)	(549,525)
3	Total Risk Amount for Assets on the Balance Sheet	96,925,360	83,882,085
	Derivative Financial Instruments and Credit Derivatives		
4	Renewal Cost of Derivative Financial Instruments and Loan Derivatives	2,799,266	1,391,857
5	Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	728,753	698,335
6	Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	3,528,019	2,090,192
	Financing Transactions With Securities Or Goods Warranties		
7	Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
8	Risk Amount Arising from Intermediated Transactions	-	-
9	Total Risk Amount of Financing Transactions with Securities or Goods Warranties	-	-
	Off-the-Balance Sheet Transactions		
10	Gross Nominal Amount of the Off-Balance Sheet Transactions	41,032,512	40,298,665
11	(Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12	Total Risk Amount for Off-Balance Sheet Transactions	41,032,512	40,298,665
	Capital and Total Risk		
13	Tier 1 Capital	9,294,595	8,253,609
14	Total Risk Amount	141,485,891	126,270,942
	Leverage Ratio		
15	Leverage Ratio	6.57%	6.54%

(*) The amounts in the table are calculated by using the quarterly average amounts.

IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value	**Fair Vakue**
	Current Period	**Current Period**
Financial Assets	**74,282,392**	**72,123,860**
Money Market Placements	281,696	281,696
Banks	3,918,436	3,918,436
Financial Assets at Fair Value Through Other Comprehensive Income	3,291,357	3,291,357
Financial Assets measured at amortized cost	2,792,080	2,771,118
Loans	63,998,823	61,861,253
Financial Liabilities	**81,727,766**	**82,314,177**
Bank Deposit	275,080	275,080
Other Deposit	63,942,086	64,471,685
Funds Borrowed From Other Financial Institutions (*)	14,671,854	14,728,666
Marketable Securities Issued	526,592	526,592
Sundry Creditors	2,312,154	2,312,154

(*) Loans to money markets and subordinated loans are included in the funds provided from other financial institutions..

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

IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

	Book Value	Fair Value
	Prior Period	**Prior Period**
Financial Assets	**70,901,432**	**70,430,859**
Money Market Placements	-	-
Banks	2,513,337	2,513,337
Financial Assets Available for Sale	4,695,464	4,695,464
Held-To-Maturity Investments	401,854	403,707
Loans	63,290,777	62,818,351
Financial Liabilities	**73,492,390**	**73,829,248**
Bank Deposit	279,370	279,370
Other Deposit	55,297,346	55,603,482
Funds Borrowed From Other Financial Institutions (*)	15,186,301	15,217,023
Marketable Securities Issued	1,289,688	1,289,688
Sundry Creditors	1,439,685	1,439,685

(*) Loans to money markets and subordinated loans are included in the funds provided from other financial institutions..

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available for sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.

- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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

IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets	**3,793,605**	**3,227,602**	**-**	**7,021,207**
Financial assets at fair value through profit and loss	527,894	2,699,477	-	3,227,371
Public sector debt securities	*527,894*	-	-	*527,894*
Financial assets at fair value through profit or loss	-	*2,610,797*	-	*2,610,797*
Other Financial assets at fair value through profit or loss		*88,680*		*88,680*
Derivative financial assets for hedging purposes	-	502,479	-	502,479
Financial Assets at Fair Value Through Other Comprehensive Income	3,265,711	25,646	-	3,291,357
Public sector debt securities	*3,265,711*	*20,036*	-	*3,285,747*
Other Financial Assets at Fair Value Through Other Comprehensive Income	-	*5,610*	-	*5,610*
Financial Liabilities	**-**	**2,764,943**	**-**	**2,764,943**
Derivative financial liabilities at fair value through profit or loss	-	2,375,761	-	2,375,761
Derivative financial liabilities for hedging purposes	-	389,182	-	389,182

31 December 2017	Level 1	Level 2	Level 3	Total
Financial Assets	**5,085,860**	**1,097,869**	**-**	**6,183,729**
Financial assets at fair value through profit and loss	460,960	945,244	-	1,406,204
Public sector debt securities	*460,960*	-	-	*460,960*
Derivative financial assets held for trading	-	*945,244*	-	*945,244*
Derivative financial assets for hedging purposes	-	87,275	-	87,275
Financial assets available for sale	4,624,900	65,350	-	4,690,250
Public sector debt securities	*4,624,900*	*13,270*	-	*4,638,170*
Other financial assets available for sale (*)	-	*52,080*	-	*52,080*
Financial Liabilities	**-**	**1,401,408**	**-**	**1,401,408**
Derivative financial liabilities held for trading	-	958,077	-	958,077
Derivative financial liabilities for hedging purposes	-	443,331	-	443,331

(*) All unquoted share certificates of TL5,214 which are recorded at cost since its fair value cannot be reliably estimated are not included

There is no transition between the levels in the current year.

X. Explanations Related to Transactions Carried out on Behalf of Other Parties and

Fiduciary Assets

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

XI. Explanations Related to Risk Management

Notes and explanations prepared in accordance with "the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Bank.

1. Risk management approach and Risk Weighted Amounts

1.1. Bank's risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank's activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Bank aims to,

i) Identify the main risks to which bank is exposed and be cautious of the risks taken;

ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,

iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the "Senior Management" consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Bank to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Risk Academy is founded and supported.

Risk Management Operations consist of;

i) risk measurement,
ii) monitoring of risks,
iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

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

XI. Explanations Related to Risk Management (Continued)

1. Risk management approach and Risk Weighted Amounts (Continued)

1.2. Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum capital Requirement
		Current Period	**Prior Period**	**Current Period**
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	66,532,643	58,694,864	5,322,611
2	Of which Standardized Approach (SA)	66,532,643	58,694,864	5,322,611
3	Of which Internal Rating-Based (IRB) Approach	-	-	-
4	Counterparty Credit risk	1,306,710	1,558,203	104,537
5	Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	1,306,710	1,558,203	104,537
6	Of which Internal Model Method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity Investment in Funds - Look-Through Approach	-	-	-
9	Equity Investment in Funds - Mandate-Based Approach	-	-	-
10	Equity Investment in Funds - 1250% Weighted Risk Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization Positions in banking accounts	-	-	-
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	706,725	677,913	56,538
17	Of which Standardized approach (SA)	706,725	677,913	56,538
18	Of which Internal model approaches (IMM)	-	-	-
19	Operational Risk	7,395,528	6,784,975	591,642
20	Of which Basic Indicator Approach	7,395,528	6,784,975	591,642
21	Of which Standard Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts Below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24	Floor Adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**75,941,606**	**67,715,955**	**6,075,328**

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

XI. Explanations Related to Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying values of items in accordance with TAS			
Current Period	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets					
Cash and balances at central bank	15,661,052	15,661,052	-	-	-
Banks	3,918,436	3,919,503	-	-	-
Receivables from money markets	281,696	-	281,696	-	-
Financial Assets at Fair Value Through Profit or Loss	616,574	88,680	-	527,894	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,291,357	3,292,097	-	-	-
Financial Assets measured at amortized cost	2,792,080	2,792,080	-	-	-
Derivative Financial Assets at Fair Value Through Profit and Loss	2,610,797	-	2,610,797	2,610,797	-
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	502,479	-	502,479	502,479	-
Non performing financial assets	-	-	-	-	-
Expected Credit Loss (-)	(8,958)	-	-	-	-
Loans and receivables (*)	63,998,823	65,190,428	-	-	-
Factoring receivables	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	109,104	109,104	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	115,986	115,986	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Tangible assets (net)	292,290	243,336	-	-	48,954
Intangible assets (net)	528,440	-	-	-	528,440
Investment properties (net)	-	-	-	-	-
Tax assets	1,358	1,358	-	-	-
Deferred tax assets	187,325	187,325	-	-	-
Other assets (*(	2,098,320	1,801,457	297,053	495	-
Total Assets	**96,997,164**	**93,402,411**	**3,692,025**	**3,641,665**	**577,394**
Liabilities					
Deposits	64,217,166	-	-	-	-
Loans	11,766,163	-	-	-	-
Debt to money markets Loans	62,543	-	62,543	-	-
Debt securities in issue	526,592	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative Financial Liabilities	2,764,943	-	1,807,845	-	-
Factoring debts	-	-	-	-	-
Provisions	660,132	-	-	-	-
Tax liability	291,338	-	-	-	-
Deferred tax liability	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,843,148	-	-	-	-
Other liability	4,126,631	-	466,742	-	-
Equity	9,738,508	-	-	-	-
Total Liabilities	**96,997,164**	**-**	**2,337,130**	**-**	**-**

(*) Refers to the Bank's unconsolidated financial statements.

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

XI. Explanations Related to Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures (continued)

2.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

Prior Period	Carrying values under scope of regulatory consolidation	Carrying values of items in accordance with TAS: Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	10,975,772	10,975,772	-	-	-
Financial assets held for trading	1,406,204	-	945,244	460,960	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	2,513,337	2,513,337	-	-	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	4,695,464	4,695,464	-	-	-
Loans and receivables	63,290,777	63,290,777	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	401,854	401,854	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	115,986	115,986	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	87,275	-	87,275	-	-
Tangible assets (net)	271,622	215,170	-	-	56,452
Intangible assets (net)	519,770	-	-	-	519,770
Investment properties (net)	-	-	-	-	-
Tax assets	69,744	69,744	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	90,677	90,677	-	-	-
Other assets	1,319,742	1,309,932	-	9,810	-
Total Assets	**85,758,229**	**83,678,718**	**1,032,519**	**470,770**	**576,222**
Liabilities					
Deposits	55,576,716	-	-	-	-
Derivative financial liabilities held for trading	958,077	-	-	-	-
Loans	12,767,012	-	-	-	-
Debt to money markets	105,206	-	105,206	-	-
Debt securities in issue	1,289,688	-	-	-	-
Funds	-	-	-	-	-
Various Debts	1,439,685	-	-	-	-
Other Debts	599,037	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	443,331	-	-	-	-
Provisions	1,015,773	-	-	-	-
Tax liability	229,944	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,314,083	-	-	-	-
Equity	9,019,677	-	-	-	-
Total Liabilities	**85,758,229**	**-**	**105,206**	**-**	**-**

(*) Refers to the Bank's unconsolidated financial statements.

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

XI. Explanations Related to Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures (Continued)

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

	Current Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation**	**96,997,164**	**93,402,411**	**3,692,025**	**3,641,665**
2	Liabilities carrying value amount under regulatory scope of consolidation	2,337,130	-	2,337,130	-
3	**Total net amount under regulatory scope of consolidation**	**94,660,034**	**93,402,411**	**1,354,895**	**3,641,665**
4	Off-balance sheet amounts	90,528,859	16,948,427	480,953	-
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 due to prudential filters	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**-**	**110,350,838**	**1,835,848**	**3,641,665**

	Prior Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation**	**85,758,229**	**83,678,718**	**1,032,519**	**470,770**
2	Liabilities carrying value amount under regulatory scope of consolidation	105,206	-	105,206	-
3	**Total net amount under regulatory scope of consolidation**	**85,653,023**	**83,678,718**	**927,313**	**470,770**
4	Off-balance sheet amounts	94,722,108	15,094,125	666,667	-
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 due to prudential filters	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**		**98,772,843**	**1,593,980**	**470,770**

2.3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and reviewed annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure

3.1. General information about credit risk

3.1.1. General qualitative information about credit risk

The objective of the Risk Management system is to provide that the risks that are derived from the bank's activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and present risk expectations. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to Senior Management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports are presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Audit Committee, and Board of Directors. The Bank's credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee and the Board of Directors.

The risk appetite declaration is approved and reviewed once a year by the Board of Directors. The Bank combines existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the Bank.

The Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the loan valuation of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2. Credit quality of assets

Current Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	2,774,744	64,073,863	2,849,784	63,998,823
Debt Securities	-	6,077,827	629	6,077,198
Off-balance sheet exposures	-	38,746,911	202,659	38,544,252
Total	**2,774,744**	**108,899,229**	**3,053,072**	**108,620,273**

Prior Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ Impairments*	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	1,946,625	62,586,963	1,242,811	63,290,777
Debt Securities	-	5,040,024	-	5,040,024
Off-balance sheet exposures	-	40,560,656	48,741	40,511,915
Total	**1,946,625**	**108,187,643**	**1,291,552**	**108,842,716**

(*) Refers to the specific provision.

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure (Continued)

3.1. General information about credit risk (continued)

3.1.3. Changes in stock of defaulted loans and debt securities

1	**Defaulted loans and debt securities at end of the 31 December 2017**	**1,946,625**
2	Loans and debt securities that have defaulted since the last reporting period	2,195,549
3	Returned to non-defaulted status	2,018
4	Amounts written off	503,724
5	Other changes (*)	861,688
6	**Defaulted loans and debt securities at end of 31 December 2018 (1+2-3-4-5)**	**2,774,744**

(*) Includes collections during the period.

1	**Defaulted loans and debt securities at end of the 31 December 2016**	**1,771,775**
2	Loans and debt securities that have defaulted since the last reporting period	1,416,218
3	Returned to non-defaulted status	12,936
4	Amounts written off	557,645
5	Other changes (*)	670,787
6	**Defaulted loans and debt securities at end of 31 December 2017 (1+2-3-4-5)**	**1,946,625**

(*) Includes collections during the period

3.1.4 Additional disclosure related to the credit quality

a) The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting purposes.

According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", non-required delay time loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as "non-performing loan" in the Accounting Practice.

Receivables past due more than 90 days are considered as "impaired receivables", and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

A specific provision is allocated for receivables for which collection is deferred more than 90 days in accordance with the Communiqué.

c) Description of methods used for determining impairments.

Provision amount is determined in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves".

d) The definition of the restructured exposure.

If the borrower fails to make payment to the Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Bank to collect its receivables, or a new repayment schedule may be arranged.

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure (Continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality (continued)

e) Breakdown of exposures by geographical areas, industry and residual maturity:

Breakdown of Loans and Receivables by Sector

	Current Period			
	TL	(%)	FC	(%)
Agriculture	1,784,550	3.56	173,750	1.24
Farming and Stockbreeding	1,735,415	3.46	166,198	1.19
Forestry	-	-	-	-
Fishery	49,135	0.10	7,552	0.05
Manufacturing	15,615,539	31.15	6,890,850	49.44
Mining and Quarrying	1,654,923	3.30	254,849	1.83
Production	13,554,411	27.04	6,165,453	44.23
Electricity, Gas and Water	406,205	0.81	470,548	3.38
Construction	2,327,789	4.64	590,798	4.24
Services	14,384,915	28.69	6,217,596	44.60
Wholesale and Retail Trade	6,412,554	12.79	1,255,522	9.01
Accommodation and Dining	973,171	1.94	1,051,394	7.54
Transportation and Telecom.	2,294,804	4.58	420,794	3.02
Financial Institutions	1,554,116	3.10	1,419,802	10.19
Real Estate and Rental Services	1,209,616	2.41	1,985,634	14.24
Self-Employment Services	708,475	1.41	80,243	0.58
Educational Services	88,151	0.18	4,207	0.03
Health and Social Services	1,144,028	2.28	-	-
Other	16,021,672	31.96	66,404	0.48
Total	**50,134,465**	**100.00**	**13,939,398**	**100.00**

	Prior Period			
	TL	(%)	FC	(%)
Agriculture	2,070,232	4.11	131,076	1.08
Farming and Stockbreeding	2,012,992	4.00	114,545	0.94
Forestry	-	-	-	-
Fishery	57,240	0.11	16,531	0.14
Manufacturing	8,260,502	16.41	4,928,277	40.33
Mining and Quarrying	854,046	1.70	333,262	2.73
Production	7,230,696	14.36	4,304,834	35.23
Electricity, Gas and Water	175,760	0.35	290,181	2.37
Construction	3,136,735	6.23	774,678	6.34
Services	21,062,961	41.82	6,324,487	51.76
Wholesale and Retail Trade	12,253,016	24.33	1,839,438	15.06
Accommodation and Dining	1,035,988	2.06	941,150	7.70
Transportation and Telecom.	2,712,250	5.38	366,737	3.00
Financial Institutions	2,057,948	4.09	1,283,292	10.50
Real Estate and Rental Services	1,445,431	2.87	1,839,937	15.06
Self-Employment Services	731,743	1.45	53,869	0.44
Educational Services	87,014	0.17	61	-
Health and Social Services	739,571	1.47	3	-
Other	15,838,142	31.43	59,873	0.49
Total	**50,368,572**	**100.00**	**12,218,391**	**100.00**

Breakdown of loans and receivables according to remaining maturities is provided in the note VI. of section 4 under the "Presentation of assets and liabilities according to their remaining maturities".

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure (Continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality (continued)

f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Bank's loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under "Information in terms of major sectors and type of counterparties".

g) Ageing analysis of accounting past-due exposures

31 December 2018	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	632,672	777,110	1,215,500	2,625,282
Consumer Loans	602,920	355,875	430,668	1,389,463
Credit Cards	106,973	136,331	99,341	342,645
Total	**1,342,565**	**1,269,316**	**1,745,509**	**4,357,390**

31 December 2017	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	1,070,364	480,791	505,945	2,057,100
Consumer Loans	182,831	305,112	159,291	647,234
Credit Cards	87,178	45,607	18,847	151,632
Total	**1,340,373**	**831,510**	**684,083**	**2,855,966**

h) Breakdown of restructured exposures between impaired and not impaired exposures

Not impaired loans:

Current Period	Gross Amount	Significant Increase in Credit Risk (Stage 2)	Net Amount
Commercial Loans	1,866,363	290,760	1,575,603
Consumer Loans	97,445	8,455	88,990
Credit Cards	49,128	4,263	44,865
Total	**2,012,936**	**303,478**	**1,709,458**
Prior Period	**Gross Amount**	**Specific Provision**	**Net Amount**
Commercial Loans	1,604,691	-	1,604,691
Consumer Loans	114,754	-	114,754
Credit Cards	75,098	-	75,098
Total	**1,794,543**	**-**	**1,794,543**

Impaired loans:

Current Period	Gross Amount	Default (Stage 3/Specific Provision)	Net Amount
Commercial Loans	14,325	11,363	2,962
Consumer Loans	26,861	15,352	11,509
Credit Cards	8,072	5,464	2,608
Total	**49,258**	**32,179**	**17,079**
Prior Period	**Gross Amount**	**Specific Provision**	**Net Amount**
Commercial Loans	13,952	5,209	8,743
Consumer Loans	16,298	5,988	10,310
Credit Cards	4,808	1,605	3,203
Total	**35,058**	**12,802**	**22,256**

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure (Continued)

3.2 Credit Risk Mitigation

3.2.1. Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting

The bank does not perform on and off balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

b) Core features of policies and processes for collateral evaluation and management.

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, the Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Guarantor entity's credit risk value is to be considered in credit risk mitigation process in cases where Bank credit customers obtained guarantee from other entities.

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

3.2.2. Credit risk mitigation techniques – Overview

	Current Period	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1	Loans	46,362,565	9,664,219	8,690,629	9,163,643	6,601,291	-	-
2	Debt securities	6,078,567	-	-	-	-	-	-
3	**Total**	**52,441,132**	**9,664,219**	**8,690,629**	**9,163,643**	**6,601,291**	**-**	**-**
4	Of which defaulted	2,675,160	89,333	66,566	10,251	948	-	-

	PriorPeriod	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1	Loans	42,068,948	11,678,055	9,128,085	9,543,774	8,044,101	-	-
2	Debt securities	5,040,024	-	-	-	-	-	-
3	**Total**	**47,108,972**	**11,678,055**	**9,128,085**	**9,543,774**	**8,044,101**	**-**	**-**
4	Of which defaulted	1,768,141	80,620	65,519	97,864	4,849	-	-

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosure (continued)

3.3. Credit risk under standardized approach

3.3.1. Disclosures on banks' use of credit ratings under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

a) Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

The Bank uses Fitch Ratings International Rating Agency's external ratings.

b) The risk classes for which each ECAI or ECA is used;

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

A 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk concentration is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)'s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosures (Continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	Current Perioed	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
	Asset classes	On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density
1	Exposures to central governments or central banks	20,198,597	-	25,377,088	40,788	3,232,295	13%
2	Exposures to regional governments or local authorities	992,484	6,578	984,538	3,144	494,165	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6,006,593	1,366,431	5,661,657	1,551,717	2,349,501	33%
7	Exposures to corporates	26,152,538	20,226,548	24,223,728	12,033,390	35,789,239	99%
8	Retail exposures	27,267,455	12,620,886	22,628,331	2,709,599	18,997,345	75%
9	Exposures secured by residential property	6,067,061	327,662	6,067,062	132,530	2,169,857	35%
10	Exposures secured by commercial real estate	2,558,285	211,302	2,558,285	114,482	1,336,383	50%
11	Past-due loans	1,113,563	205,582	1,112,615	65,022	1,217,144	103%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	2,960,154	3,737,223	2,953,765	2,242	852,424	29%
17	Investments in equities	94,290	-	94,290	-	94,290	100%
18	**Total**	**93,411,020**	**38,702,212**	**91,661,359**	**16,652,914**	**66,532,643**	**61%**

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosures (Continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects(continued)

	Prior Period	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**Risk Weighted Amounts and Risk Weighted Amounts density**	
	Asset classes	**On-balance sheet Amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk Weighted Amounts**	**Risk Weighted Amounts density**
1	Exposures to central governments or central banks	15,372,386	-	22,027,652	71,816	388,645	2%
2	Exposures to regional governments or local authorities	580,509	9,354	580,388	4,348	293,096	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development Banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	4,011,135	1,082,646	3,482,389	970,884	2,055,877	465%
7	Exposures to corporates	24,444,256	18,942,824	22,177,451	10,732,778	31,983,279	97%
8	Retail exposures	27,809,715	12,539,446	22,136,890	2,837,952	18,727,671	75%
9	Exposures secured by residential Property	6,943,533	365,715	6,943,534	142,721	2,480,189	35%
10	Exposures secured by commercial real Estate	2,121,479	165,675	2,121,480	84,063	1,102,772	50%
11	Past-due loans	703,814	86,955	698,966	29,615	954,664	131%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	1,644,044	7,320,266	1,643,228	2,328	651,377	40%
17	Investments in equities	57,294	-	57,294	-	57,294	100%
18	**Total**	**83,688,165**	**40,512,881**	**81,869,272**	**14,876,505**	**58,694,864**	**61%**

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosures (Continued)

3.3. Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights

	Current Period **Asset Classes / Risk Weights**	**0%**	**10%**	**20%**	**35%**	**50% secured by real estate (*)**	**75%**	**100%**	**150%**	**200%**	**Other risk weights**	**Total credit risk exposure amount (after CCF and CRM)**
1	Exposures to regional governments or local authorities	22,185,581	-	-	-	-	-	3,232,295	-	-	-	25,417,876
2	Exposures to regional governments or local authorities	-	-	-	-	987,037	-	645	-	-	-	987,682
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	5,154,440	-	1,484,779	-	570,019	4,136	-	-	7,213,374
7	Exposures to corporates	-	-	160,786	-	678,504	-	35,417,828	-	-	-	36,257,118
8	Retail exposures	-	-	7,903	-	7,021	25,323,006	-	-	-	-	25,337,930
9	Exposures secured by residential property	-	-	-	6,199,592	-	-	-	-	-	-	6,199,592
10	Exposures secured by commercial real estate	-	-	-	-	2,672,767	-	-	-	-	-	2,672,767
11	Past-due loans	-	-	-	-	331,085	-	436,453	410,099	-	-	1,177,637
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	94,290	-	-	-	94,290
17	Other assets	2,066,839	-	45,928	-	-	-	843,240	-	-	-	2,956,007
18	**Total**	**24,252,420**	**-**	**5,369,057**	**6,199,592**	**6,161,193**	**25,323,006**	**40,594,770**	**414,235**	**-**	**-**	**108,314,273**

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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

XI. Explanations Related to Risk Management (Continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights (continued)

	Prior Period Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to regional governments or local authorities	21,710,823	-	-	-	-	-	388,645	-	-	-	22,099,468
2	Exposures to regional governments or local authorities	-	-	-	-	583,281	-	1,455	-	-	-	584,736
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	2,339,664	-	1,054,991	-	1,054,956	3,662	-	-	4,453,273
7	Exposures to corporates	-	-	508,160	-	1,040,843	-	31,361,226	-	-	-	32,910,229
8	Retail exposures	-	-	2,344	-	8,849	24,963,489	160	-	-	-	24,974,842
9	Exposures secured by residential property	-	-	-	7,086,255	-	-	-	-	-	-	7,086,255
10	Exposures secured by commercial real estate	-	-	-	-	2,205,543	-	-	-	-	-	2,205,543
11	Past-due loans	-	-	-	-	79,570	-	117,275	531,736	-	-	728,581
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	57,294	-	-	-	57,294
17	Other assets	981,095	-	16,355	-	-	-	648,106	-	-	-	1,645,556
18	**Total**	**22,691,918**	**-**	**2,866,523**	**7,086,255**	**4,973,077**	**24,963,489**	**33,629,117**	**535,398**	**-**	**-**	**96,745,777**

(*) The amount shown on the line of "Exposures secured by commercial real estate" is "Exposures secured by real estate" and other amounts shown on this column represented exposures subject to 50% risk weight.

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor's historical movement and that change according to transaction's nominal amount, transaction's maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client's all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and the Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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

XI. Explanations Related to Risk Management (Continued)

4. Counterparty Credit Risk (Continued)

4.2. Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	749,662	480,953		1.4	1,215,124	953,104
Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					11,621	2,970
Total						**956,074**

(*) Effective Expected Positive Exposure

Prior Period	Replacement Cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	1,032,519	666,667		1.4	1,681,750	1,007,014
Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					5,492	2,746
Total						**1,009,760**

(*) Effective Expected Positive Exposure

XI. Explanations Related to Risk Management (Continued)

4. Counterparty Credit Risk (Continued)

4.3. Credit valuation adjustment (CVA) capital charge

Current Period	**EAD post-CRM**	**Risk Weighted Amounts**
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,215,124	350,636
Total subject to the CVA capital charge	**1,215,124**	**350,636**

Prior Period	**EAD post-CRM**	**Risk Weighted Amounts**
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,681,750	548,443
Total subject to the CVA capital charge	**1,681,750**	**548,443**

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

XI. Explanations Related to Risk Management (Continued)

4. Counterparty Credit Risk (Continued)

4.4. Standardized approach – CCR exposures by regulatory portfolio and risk weights

Current Period **Risk Weight/ Regulatory portfolio**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure(*)**
Claims from central governments and central banks	-	-	-	-	-	-	5,601	-	-	5,601
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	9,468	-	515,103	-	-	477	-	525,048
Corporates	-	-	769	-	2,673	-	677,319	-	-	680,761
Retail portfolios	-	-	-	-	-	15,328	7	-	-	15,335
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**10,237**	**-**	**517,776**	**15,328**	**682,927**	**477**	**-**	**1,226,745**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

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

XI. Explanations Related to Risk Management (Continued)

4. Counterparty Credit Risk (Continued)

4.4. Standardized approach – CCR exposures by regulatory portfolio and risk weights (continued)

Prior Period Risk Weight/ Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure(*)
Claims from central governments and central banks	-	-	-	-	-	-	17,056	-	-	17,056
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	154,685	-	1,094,748	-	6,892	1,200	-	1,257,525
Corporates	-	-	472	-	5,441	-	391,301	-	-	397,214
Retail portfolios	-	-	-	-	-	15,447	-	-	-	15,447
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**155,157**	**-**	**1,100,189**	**15,447**	**415,249**	**1,200**	**-**	**1,687,242**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

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

XI. Explanations Related to Risk Management (Continued)

4. Counterparty Credit Risk (Continued)

4.5. Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
Current Period	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	1,642	-	-	-	-
Cash – other currencies	-	13,849	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**15,491**	**-**	**-**	**-**	**-**

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
Prior Period	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	17,328	-	-	-	-
Domestic sovereign debt	-	108	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**17,436**	**-**	**-**	**-**	**-**

4.6. Credit derivatives exposures

	Current Period	
	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	105,480	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	**105,480**	-
Fair Values	(5,875)	
Positive fair value (asset)	390	-
Negative fair value (liability)	(6,265)	-

	Prior Period	
	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	132,367	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	**132,367**	-
Fair Values	-	-
Positive fair value (asset)	463	-
Negative fair value (liability)	-	-

4.7. Exposures to central counterparties

None.

XI. Explanations Related to Risk Management (Continued)

5. Securitization Disclosures

Since the Bank does not hold securitization position, the notes to be presented according to the "Communiqué on Disclosures about Risk Management to be announced to Public by Banks" have not been presented.

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with the "Communiqué on Disclosures about Risk Management to be announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. The notes to be presented on annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Bank.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Bank's assets, liabilities and off balance sheet items values. The Bank's economic value's sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank's value's sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity's influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

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

XI. Explanations Related to Risk Management (Continued)

6. Market Risk Disclosures (Continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors

6.2. Standardized Approach

	Current Period	Risk Weighted Amounts
Outright products		
1	Interest rate risk (general and specific)	634,338
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36,949
4	Commodity risk	12,000
Options		
5	Simplified approach	-
6	Delta-plus method	23,438
7	Scenario approach	-
8	Securitization	-
9	**Total**	**706,725**

	Prior Period	Risk Weighted Amounts
Outright product		
1	Interest rate risk (general and specific)	536,263
2	Equity risk (general and specific)	-
3	Foreign exchange risk	126,487
4	Commodity risk	-
Options		Options
5	Simplified approach	-
6	Delta-plus method	15,163
7	Scenario approach	-
8	Securitization	-
9	**Total**	**677,913**

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

XI. Explanations Related to Risk Management (Continued)

7. Explanations Related to Operational Risk

a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.

b) In case of Basic Indicator Approach the following:

	31.12.2015	31.12.2016	31.12.2017	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	3,595,664	4,103,251	4,133,929	3,944,281	15	591,642
Operational Risk Capital Requirement (Total*12.5)						7,395,528

	31.12.2014	31.12.2015	31.12.2016	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	3,157,045	3,595,664	4,103,251	3,618,653	15	542,798
Operational Risk Capital Requirement (Total*12.5)						6,784,975

a) The Bank does not use the standard method.

b) The Bank does not use any alternative approach in standard method

c) The Group does not use Advanced Measurement Approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees' collective and individual success.

An annual performance bonus is determined based on the Bank's profitability, the results of Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

The remuneration policy of the Bank was prepared in line with the BRSA's Communiqué on Corporate Management of Banks and Guidance on Good Remuneration Practices in Banks, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank's activities, long-term targets, the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to the risk management.

The remuneration policy supports the Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is reviewed and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of the Republic of Turkey:

	Current Period	
	TL	**FC**
Cash in TL/Foreign Currency	442,449	1,564,017
Balances with the Central Bank of Turkey	1,516,100	12,032,184
Other	-	106,302
Total	**1,958,549**	**13,702,503**

	Prior Period	
	TL	**FC**
Cash in TL/Foreign Currency	376,414	543,135
Balances with the Central Bank of Turkey	1,053,062	8,925,260
Other	-	77,901
Total	**1,429,476**	**9,546,296**

b) Information related to the account of the Central Bank of the Republic of Turkey:

	Current Period	
	TL	**FC**
Unrestricted Demand Deposit	1,478,914	-
Unrestricted Time Deposit	-	5,243,049
Restricted Time Deposit	37,186	6,789,135
Total	**1,516,100**	**12,032,184**

	Prior Period	
	TL	**FC**
Unrestricted Demand Deposit	1,042,047	-
Unrestricted Time Deposit	-	1,384,996
Restricted Time Deposit	11,015	7,540,264
Total	**1,053,062**	**8,925,260**

Foreign currency unrestricted deposit amounting to TL5,243,049 (31 December 2017: TL1,384,996), foreign currency restricted deposit amounting to TL6,789,135 (31 December 2017: TL7,540,264), unrestricted deposit balance amounting to TL1,478,914 (31 December 2017: TL1,042,047) and restricted deposit amounting to TL37,186 (31 December 2017: TL11,015) comprises of reserve deposits. As of 31 December 2018, the Turkish lira required reserve ratios are determined to be within the range of 1.5%-8% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2017: 4%-10.50%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 4%-20% (31 December 2017: 4%-24%).

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2017: None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None.

Net book value of unrestricted financial assets at fair value through profit and loss is TL527,894 (31 December 2017: TL460,960)

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

I. Explanations and Disclosures Related to the Assets (Continued)

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period	
	TL	**FC**
Forward Transactions	458,840	10,370
Swap Transactions	1,812,191	186,750
Futures Transactions	-	-
Options	129,526	12,730
Other	-	390
Total	**2,400,557**	**210,240**

	Prior Period	
	TL	**FC**
Forward Transactions	194,605	31,793
Swap Transactions	628,312	34,839
Futures Transactions	-	33
Options	45,430	9,769
Other	-	463
Total	**868,347**	**76,897**

4. Information on banks:

a) Information on Banks:

	Current Period	
	TL	**FC**
Banks		
Domestic Banks	800,909	98
Foreign Banks	82,122	3,035,307
Foreign Head Offices and Branches	-	-
Total	**883,031**	**3,035,405**

	Prior Period	
	TL	**FC**
Banks		
Domestic Banks	561,238	491,816
Foreign Banks	108,050	1,352,233
Foreign Head Offices and Branches	-	-
Total	**669,288**	**1,844,049**

b) Information on Foreign Banks:

	Unrestricted Amount	Restricted Amount
	Current Period	**Current Period**
EU Countries	2,587,570	-
USA and Canada	43,364	-
OECD Countries(*)	58,094	-
Off-Shore Banking Regions	383,071	-
Other	45,330	-
Total	**3,117,429**	**-**

	Unrestricted Amount	Restricted Amount
	Prior Period	**Prior Period**
EU Countries	952,584	-
USA and Canada	25,001	-
OECD Countries(*)	181,220	-
Off-Shore Banking Regions	284,954	-
Other	16,524	-
Total	**1,460,283**	**-**

(*) EU countries, OECD countries except USA and Canada

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

I. Explanations and Disclosures Related to the Assets (Continued)

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

a.1) Information on financial assets at fair value through other comprehensive income given as collateral / blocked:

	Current Period	
	TL	**FC**
Equity Securities	-	-
Bond, Treasury Bill and Similar Investment Securities	266,235	-
Other	-	-
Total	**266,235**	**-**

a.2) Information on financial assets available for sale given as collateral / blocked:

	Prior Period	
	TL	**FC**
Equity Securities	-	-
Bond, Treasury Bill and Similar Investment Securities	1,459,329	-
Other	-	-
Total	**1,459,329**	**-**

a.3) Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TL	**FC**
Government Bonds	64,511	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	**64,511**	**-**

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL2,960,611.

a.4) Information on financial assets available for sale subject to repurchase agreements:

	Prior Period	
	TL	**FC**
Government Bonds	109,188	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	**109,188**	**-**

Net book value of debt securities and equity securities in unrestricted financial assets available for sale is TL3,126,947.

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

I. Explanations and Disclosures Related to the Assets (Continued)

5. Information on financial assets at fair value through other comprehensive income: (Continued)

b.1) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	3,285,747
Quoted on a Stock Exchange	3,265,711
Not Quoted	20,036
Equity Securities	5,610
Quoted on a Stock Exchange	-
Not Quoted	5,610
Impairment Provision (-)	-
Total	**3,291,357**

b.2) Information on financial assets available for sale portfolio:

	Prior Period
Debt securities	4,638,170
Quoted on a Stock Exchange	4,624,900
Not Quoted	13,270
Equity Securities	57,294
Quoted on a Stock Exchange	-
Not Quoted	57,294
Impairment Provision (-)	-
Total	**4,695,464**

6. Information on loans:

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

	Current Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	19,520	260,569
Corporate Shareholders	19,520	260,569
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	108,259	-
Total	**127,779**	**260,569**

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	100,051	301,623
Corporate Shareholders	100,051	301,623
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	101,302	-
Total	**201,353**	**301,623**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

		Loans under Close Monitoring (*)		
			Restructured	
Cash Loans	**Standard Loans**	**Loans Not Subject to Restructuring**	**Loans with Revised Contract Terms**	**Refinance**
Non-specialized Loans	53,884,885	8,176,042	313,312	1,699,624
Working Capital Loans	5,637,888	1,185,879	20,973	526,354
Export Loans	7,214,944	507,160	9,075	66,254
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,005,340	3	-	-
Consumer Loans	10,568,447	2,661,974	526	96,919
Credit Cards	3,492,684	715,765	49,128	-
Other	25,965,582	3,105,261	233,610	1,010,097
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**53,884,885**	**8,176,042**	**313,312**	**1,699,624**

	Standard Loans	Loans Under Close Monitoring
12-Month Expected Credit Losses	355,390	-
Significant increase in Credit Risk	-	836,214
Total	**355,390**	**836,214**

Number of Extensions	Standard Loans	Loans Under Close Monitoring(*)
Extended by 1 or 2 Times	-	177,848
Extended by 3,4 or 5 Times	-	52,263
Extended by Over 5 Times	-	83,204
Total	**-**	**313,315**

(*) Refers to the loan amounts made for the extension of the payment plan within the restructured loans.

Extension Periods	Standard Loans	Loans Under Close Monitoring (*)
0-6 Months	-	77,674
6-12 Months	-	71,312
1-2 Years	-	71,512
2-5 Years	-	80,741
5 Years and Over	-	12,076
Total	**-**	**313,315**

(*) Refers to the loan amounts made for the extension of the payment plan within the restructured loans

		Loans Under Close Monitoring	
	Standard Loans	**Loans Not Subject to Restructuring**	**Restructured**
Short Term Loans	24,608,170	2,050,388	374,320
Medium and Long Term Loans	29,276,715	6,125,654	1,638,616
Toplam	**53,884,885**	**8,176,042**	**2,012,936**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**368,621**	**12,344,890**	**12,713,511**
Housing Loans	1,514	5,971,254	5,972,768
Vehicle Loans	8,649	403,124	411,773
General Purpose Loans	358,458	5,970,512	6,328,970
Other	-	-	-
Consumer Loans –Indexed to FC	**-**	**21,184**	**21,184**
Housing Loans	-	21,172	21,172
Vehicle Loans	-	-	-
General Purpose Loans	-	12	12
Other	-	-	-
Consumer Loans-FC (**)	**12**	**36,064**	**36,076**
Housing Loans	-	6,992	6,992
Vehicle Loans	-	6,639	6,639
General Purpose Loans	12	22,433	22,445
Other	-	-	-
Individual Credit Cards-TL	**2,681,027**	**43,729**	**2,724,756**
With Installments	807,930	43,729	851,659
Without Installments	1,873,097	-	1,873,097
Individual Credit Cards-FC	**9,541**	**-**	**9,541**
With Installments	-	-	-
Without Installments	9,541	-	9,541
Personnel Loans-TL	**7,220**	**62,445**	**69,665**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	7,220	62,445	69,665
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**32,513**	**82**	**32,595**
With Installments	10,064	82	10,146
Without Installments	22,449	-	22,449
Personnel Credit Cards-FC	**168**	**-**	**168**
With Installments	-	-	-
Without Installments	168	-	168
Overdraft Accounts-TL(Real Persons) (*)	**483,742**	**-**	**483,742**
Overdraft Accounts-FC(Real Persons)	**3,688**	**-**	**3,688**
Total	**3,586,532**	**12,508,394**	**16,094,926**

(*) Overdraft Accounts include personnel loans amounting to TL5,831.
(**) Loans granted via branches abroad.

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel: (continued)

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**261,181**	**12,789,825**	**13,051,006**
Housing Loans	1,748	7,716,058	7,717,806
Vehicle Loans	6,577	452,642	459,219
General Purpose Loans	252,856	4,621,125	4,873,981
Other	-	-	-
Consumer Loans –Indexed to FC	**-**	**10,321**	**10,321**
Housing Loans	-	10,172	10,172
Vehicle Loans	-	-	-
General Purpose Loans	-	149	149
Other	-	-	-
Consumer Loans-FC (**)	**55**	**36,398**	**36,453**
Housing Loans	-	7,454	7,454
Vehicle Loans	-	8,039	8,039
General Purpose Loans	55	20,905	20,960
Other	-	-	-
Individual Credit Cards-TL	**2,203,323**	**-**	**2,203,323**
With Installments	790,380	-	790,380
Without Installments	1,412,943	-	1,412,943
Individual Credit Cards-FC	**8,635**	**-**	**8,635**
With Installments	-	-	-
Without Installments	8,635	-	8,635
Personnel Loans-TL	**6,586**	**61,341**	**67,927**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,586	61,341	67,927
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**27,949**	**-**	**27,949**
With Installments	10,118	-	10,118
Without Installments	17,831	-	17,831
Personnel Credit Cards-FC	**208**	**-**	**208**
With Installments	-	-	-
Without Installments	208	-	208
Overdraft Accounts-TL(Real Persons) (*)	**380,585**	**-**	**380,585**
Overdraft Accounts-FC(Real Persons)	**3,344**	**-**	**3,344**
Total	**2,891,866**	**12,897,885**	**15,789,751**

(*) Overdraft Accounts include personnel loans amounting to TL5,218.

(**) Loans granted via branches abroad.

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

e) Information on commercial loans with installments and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial loans with installment – TL	**762,278**	**10,663,963**	**11,426,241**
Business Loans	97	254,815	254,912
Vehicle Loans	34,312	614,286	648,598
General Purpose Loans	727,869	9,794,862	10,522,731
Other	-	-	-
Commercial loans with installment - Indexed to FC	**4,407**	**740,855**	**745,262**
Business Loans	2,031	10,297	12,328
Vehicle Loans	48	236,460	236,508
General Purpose Loans	2,328	494,098	496,426
Other	-	-	-
Commercial loans with installment – FC	**236**	**-**	**236**
Business Loans	-	-	-
Vehicle Loans	3	-	3
General Purpose Loans	233	-	233
Other	-	-	-
Corporate Credit Cards-TL	**1,488,228**	**-**	**1,488,228**
With Installments	389,791	-	389,791
Without Installments	1,098,437	-	1,098,437
Corporate Credit Cards-FC	**2,289**	**-**	**2,289**
With Installments	-	-	-
Without Installments	2,289	-	2,289
Overdraft Accounts-TL(Legal Entities)	**1,277,559**	**-**	**1,277,559**
Overdraft Accounts-FC(Legal Entities)	**-**	**-**	**-**
Total	**3,534,997**	**11,404,818**	**14,939,815**

Prior Period	Short Term	Medium and Long Term	Total
Commercial loans with installment – TL	**650,471**	**13,570,795**	**14,221,266**
Business Loans	2,997	323,359	326,356
Vehicle Loans	25,434	758,020	783,454
General Purpose Loans	622,040	12,489,416	13,111,456
Other	-	-	-
Commercial loans with installment - Indexed to FC	**16,092**	**710,279**	**726,371**
Business Loans	-	19,697	19,697
Vehicle Loans	2,015	189,745	191,760
General Purpose Loans	14,077	500,837	514,914
Other	-	-	-
Commercial loans with installment – FC	**112**	**-**	**112**
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	112	-	112
Other	-	-	-
Corporate Credit Cards-TL	**1,212,899**	**-**	**1,212,899**
With Installments	380,553	-	380,553
Without Installments	832,346	-	832,346
Corporate Credit Cards-FC	**2,237**	**-**	**2,237**
With Installments	-	-	-
Without Installments	2,237	-	2,237
Overdraft Accounts-TL(Legal Entities)	**1,147,148**	**-**	**1,147,148**
Overdraft Accounts-FC(Legal Entities)	**-**	**-**	**-**
Total	**3,028,959**	**14,281,074**	**17,310,033**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

f) Allocation of loans by customers:

	Current Period
Public sector	1,047,745
Private sector	63,026,118
Total	**64,073,863**

	Prior Period
Public sector	957,153
Private sector	61,629,810
Total	**62,586,963**

g) Domestic and foreign loans:

	Current Period
Domestic Loans	63,118,948
Foreign Loans	954,915
Total	**64,073,863**

	Prior Period
Domestic Loans	61,768,545
Foreign Loans	818,418
Total	**62,586,963**

h) Loans granted to subsidiaries and associates:

	Current Period
Direct Loans Granted to Subsidiaries and Associates	97,952
Indirect Loans Granted to Subsidiaries and Associates	-
Total	**97,952**

	Prior Period
Direct Loans Granted to Subsidiaries and Associates	132,994
Indirect Loans Granted to Subsidiaries and Associates	-
Total	**132,994**

i.1) Specific or non-performing loan (Stage 3) provisions for loans:

	Current Period
Loans and Receivables with Limited Collectability	329,331
Loans and Receivables with Doubtful Collectability	342,439
Uncollectible Loans and Receivables	986,410
Total	**1,658,180**

g.2) Specific provisions provided against loans:

	Prior Period
Loans and Receivables with Limited Collectability	17,524
Loans and Receivables with Doubtful Collectability	67,574
Uncollectible Loans and Receivables	1,157,713
Total	**1,242,811**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

j) Information on loans under follow-up (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Gross Amounts before Provisions	26,606	15,968	6,684
Restructured Loans	26,606	15,968	6,684
Prior Period			
(Gross amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	14,741	10,373	9,944

j.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Prior period end balance	**116,275**	**164,821**	**1,665,529**
Additions (+)	1,918,103	118,394	159,052
Transfers from other Categories of Loans under Follow-up (+)	-	1,058,303	467,794
Transfers to other Categories of Loans under Follow-up (-) (**)	1,059,519	468,596	-
Collections (-)	274,360	202,468	384,860
Write-Offs (-)	790	149	2,247
Sold Portfolio (-)(*)	-	-	500,538
Corporate and Commercial Loans	-	-	369,680
Retail Loans	-	-	64,476
Credit Cards	-	-	66,382
Other	-	-	-
Current period end balance	**699,709**	**670,305**	**1,404,730**
Provision (-)	329,331	342,439	986,410
Net Balances on Balance Sheet	**370,378**	**327,866**	**418,320**

(*) Past due receivables portfolio amounting to TL500,538 for which TL483,618 of provision had been allocated is sold for TL24,061 in 2018. After all sales procedures were completed, such past due receivables have been written off from the accounts.

Information about the sales took place in 2018;

Date of Sale	Sold to	Loans under Follow-Up	Provision	Sale Price
29.03.2018	Hayat Varlık Yönetim A.Ş.	131,972	126,665	9,100
07.06.2018	Hayat Varlık Yönetim A.Ş.	90,869	87,574	4,660
27.09.2018	Hayat Varlık Yönetim A.Ş.	158,566	154,405	5,151
27.12.2018	Hayat Varlık Yönetim A.Ş.	119,130	114,974	5,150
Current Period Total		**500,538**	**483,618**	**24,061**

(**) In compliance with the related communique, retail loans amounting to TL2,018 are classified from loans under follow-up to performing loans.

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

j.3) Information on foreign currency loans under follow-up

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
31 December 2018			
Period End Balance	21,749	30,099	228,009
Provision (-)	14,989	12,713	198,615
Net Balance on Balance Sheet	**6,760**	**17,386**	**29,394**
31 December 2017			
Prior Period End Balance	1,036	843	258,691
Specific Provision (-)	52	158	216,481
Net Balance on Balance Sheet	**984**	**685**	**42,210**

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	699,709	670,305	1,404,730
Provision (-)	329,331	342,439	986,410
Loans to Real Persons and Legal Entities (Net)	**370,378**	**327,866**	**418,320**
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	116,275	164,821	1,665,529
Specific Provision (-)	17,524	67,574	1,157,713
Loans to Real Persons and Legal Entities (Net)	**98,751**	**97,247**	**507,816**
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

j.5) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	**13,322**	**18,468**	**5,838**
Interest Accruals, Rediscounts and Valuation Differences	70,640	102,720	97,595
Provision Amount (-)	57,318	84,252	91,757
Prior Period (Net)	**-**	**-**	**-**
Interest Accruals, Rediscounts and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

k) Main principles of liquidating loans under follow-up and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 29750 dated 22 June 2016 loans and other receivables for which the collection is believed to be impossible are classified as loans under follow-up by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable loans under follow-up can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Total
Standard loans	39,823,754	10,568,447	3,492,684	53,884,885
Loans under close monitoring	6,664,666	2,759,419	764,893	10,188,978
Non performing loans	1,207,174	1,395,223	172,347	2,774,744
Total	**47,695,594**	**14,723,089**	**4,429,924**	**66,848,607**
12 month expected credit loss (Stage 1)(-)	218,413	85,416	51,561	355,390
Significant increase in credit risk (Stage 2)(-)	634,220	149,047	52,947	836,214
Default (Stage 3/Specific provision)(-)	760,528	769,345	128,307	1,658,180
Total	**1,613,161**	**1,003,808**	**232,815**	**2,849,784**
Net credit balance on balance sheet	**46,082,433**	**13,719,281**	**4,197,109**	**63,998,823**

Prior Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	43,524,976	12,902,402	3,303,619	59,730,997
Past due but not impaired	2,057,100	647,234	151,632	2,855,966
Individually impaired	843,304	979,935	123,386	1,946,625
Total	**46,425,380**	**14,529,571**	**3,578,637**	**64,533,588**
Specific Provision (-)	632,158	527,953	82,700	1,242,811
Total	**632,158**	**527,953**	**82,700**	**1,242,811**
Net credit balance on balance sheet	**45,793,222**	**14,001,618**	**3,495,937**	**63,290,777**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

m) Other explanations and disclosures: (continued)

The following is a reclassification of provision for impairment on loans by stage;

Commercial	**Standard Loans (Stage 1)**	**Loans under close monitoring (Stage 3)**	**Non performing loans (Stage 3)**	**Total**
31 December 2017	230,885	43,711	632,158	906,754
IFRS 9 transition effect	(36,347)	450,918	(18,231)	396,340
Transfers;				
- Stage 1 to Stage 2	(24,754)	151,248	-	126,494
- Stage 1 to Stage 3	(11,368)	-	500,864	489,496
- Stage 2 to Stage 3	-	(96,204)	385,882	289,678
- Stage 3 to Stage 2	-	-	-	-
- Stage 2 to Stage 1	17,600	(46,301)	-	(28,701)
Transferred within the period	124,318	230,005	(338,461)	15,862
Collections	(81,921)	(99,157)	(43,602)	(224,680)
Write-offs (*)	-	-	(361,275)	(361,275)
Currency differences	-	-	3,193	3,193
Total expected credit losses	**218,413**	**634,220**	**760,528**	**1,613,161**

Consumer	**Standard Loans (Stage 1)**	**Loans under close monitoring (Stage 3)**	**Non performing loans (Stage 3)**	**Total**
31 December 2017	182,562	19,386	527,953	729,901
IFRS 9 transition effect	(144,411)	100,100	38,155	(6,156)
Transfers;				
- Stage 1 to Stage 2	(6,035)	46,437	-	40,402
- Stage 1 to Stage 3	(1,875)	-	82,465	80,590
- Stage 2 to Stage 3	-	(7,047)	71,777	64,730
- Stage 3 to Stage 2	-	-	-	-
- Stage 2 to Stage 1	8,175	(39,428)	-	(31,253)
Transferred within the period	55,028	51,262	119,984	226,274
Collections	(8,028)	(21,663)	(14,171)	(43,862)
Write-offs (*)	-	-	(56,818)	(56,818)
Currency differences	-	-	-	-
Total expected credit losses	**85,416**	**149,047**	**769,345**	**1,003,808**

Credit Cards	**Standard Loans (Stage 1)**	**Loans under close monitoring (Stage 3)**	**Non performing loans (Stage 3)**	**Total**
31 December 2017	47,714	3,258	82,700	133,672
IFRS 9 transition effect	(6,092)	26,142	5,823	25,873
Transfers;				
- Stage 1 to Stage 2	(6,304)	31,837	-	25,533
- Stage 1 to Stage 3	(732)	-	39,448	38,716
- Stage 2 to Stage 3	-	(1,302)	17,590	16,288
- Stage 3 to Stage 2	-	-	-	-
- Stage 2 to Stage 1	5,922	(11,082)	-	(5,160)
Transferred within the period	15,536	11,413	45,121	72,070
Collections	(4,483)	(7,319)	(3,992)	(15,794)
Write-offs (*)	-	-	(58,383)	(58,383)
Currency differences	-	-	-	-
Total expected credit losses	**51,561**	**52,947**	**128,307**	**232,815**

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

m) Other explanations and disclosures: (continued)

	Commercial	Consumer	Credit Cards	Total
1 Ocak 2017	488,206	619,163	106,912	1,214,281
Transferred within the period	671,828	87,081	87,584	846,493
Collections	(156,705)	(73,885)	(31,617)	(262,207)
Write-offs (**)	(371,171)	(104,406)	(80,179)	(555,756)
31 Aralık 2017	**632,158**	**527,953**	**82,700**	**1,242,811**

(*) Past due receivables portfolio amounting to TL500,538 for which TL483,618 of provision had been allocated is sold for TL24,061 in 2018 After all sales procedures were completed, such past due receivables have been written off from the accounts

Explanations on sales of non-performing loan portfolio in 2018:

Date	Sold to	Non-Performing Loan Amount	Provision	Proceed
29.03.2018	Hayat Varlık Yönetim A.Ş.	131,972	126,665	9,100
07.06.2018	Hayat Varlık Yönetim A.Ş.	90,869	87,574	4,660
27.09.2018	Hayat Varlık Yönetim A.Ş.	158,566	154,405	5,151
27.12.2018	Hayat Varlık Yönetim A.Ş.	119,130	114,974	5,150
Current Period Total		**500,538**	**483,618**	**24,061**

(**) Past due receivables portfolio amounting to TL556,552 for which TL555,756 of provision had been allocated is sold for TL32,791 in 2017. After all sales procedures were completed, such past due receivables have been written off from the accounts.

Explanations on sales of non-performing loan portfolio in 2017:

Date	Sold to	Non-Performing Loan Amount	Provision	Proceed
28.03.2017	Hayat Varlık Yönetim A.Ş.	102,752	102,550	6,000
21.06.2017	Hayat Varlık Yönetim A.Ş.	82,788	82,634	6,166
26.09.2017	Hayat Varlık Yönetim A.Ş.	112,892	112,888	7,625
26.12.2017	Efes Varlık Yönetim A.Ş.	258,120	257,684	13,000
Current Period Total		**556,552**	**555,756**	**32,791**

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2018 is TL1,365,215 (31 December 2017: TL806,842).

The fair value of the collateral of non-performing loans that do not exceed the risk:

	Current Period
Mortgage	952,032
Vehicle	173,263
Cash	500
Other (*)	239,420
Total	**1,365,215**

(*) Includes guarantees from Treasury and Credit Guarentee Fund amouting to TL239,407.

	Prior Period
Mortgage	622,898
Vehicle	111,528
Cash	136
Other (*)	72,280
Total	**806,842**

(*) Includes guarantees from Treasury and Credit Guarentee Fund amouting to TL61,361.

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

I. Explanations and Disclosures Related to the Assets (Continued)

6. Information on loans: (Continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined not to be impaired at 31 December 2018 is TL3,107,199 (31 December 2017: TL2,227,231).

The fair value of the collateral of loans under follow up that do not exceed the risk:

	Current Period
Mortgage	2,064,027
Vehicle	7,056
Cash	98,298
Other	937,818
Total	**3,107,199**

	Prior Period
Mortgage	2,057,968
Vehicle	122,538
Cash	29,096
Other	17,629
Total	**2,227,231**

As of 31 December 2018 and 31 December 2017, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2018	Commercial	Consumer	Total
Residential, commercial or industrial property	103,828	5,197	109,025
Other	79	-	79
Total	**103,907**	**5,197**	**109,104**

31 December 2017	Commercial	Consumer	Total
Residential, commercial or industrial property	86,229	4,421	90,650
Other	27	-	27
Total	**86,256**	**4,421**	**90,677**

7. Information on financial assets measured at amortized cost:

a) a.1) Information on financial assets measured at amortized cost and subject to repurchase agreements: None (31 December 2017: None).

a.2) Information on financial assets measured at amortized cost and given as collateral / blocked:

	Current Period	
	TL	FC
Equity Securities	-	-
Bond, Treasury bill and similar investment securities	480,116	-
Other	-	-
Total	**480,116**	**-**

Unrestricted financial assets measured at amortized cost are TL2,311,964.

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

I. Explanations and Disclosures Related to the Assets (Continued)

7. Information on financial assets measured at amortized cost: (Continued)

a.3) Information on held-to-maturity investments given as collateral or blocked:

	Prior Period	
	TL	**FC**
Equity Securities	-	-
Bond, Treasury bill and similar investment securities	329,307	-
Other	-	-
Total	**329,307**	**-**

Unrestricted financial assets held-to maturity amounting to TL72,547.

a.4) Information government debt securities measured at amortized cost:

	Current Period
Government Bonds	2,792,080
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	**2,792,080**

a.5) Information on held to maturity government debt securities:

	Prior Period
Government Bonds	401,854
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	**401,854**

a.6) Information on financial assets measured at amortized cost:

	Current Period
Debt securities	2,792,080
Quoted on a Stock Exchange	2,792,080
Unquoted	-
Impairment Provision (-)	-
Total	**2,792,080**

a.7) Information on held to maturity investments:

	Prior Period
Debt securities	401,854
Quoted on a Stock Exchange	401,854
Unquoted	-
Impairment Provision (-)	-
Total	**401,854**

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

I. Explanations and Disclosures Related to the Assets (Continued)

7. Information on financial assets measured at amortized cost: (Continued)

b.1) Movement of financial assets measured at amortized cost:

	Current Period
Beginning Balance	401,854
Foreign Currency Differences on Monetary Assets	-
Purchases During the Year (*)	2,682,111
Disposals Through Sales and Redemptions	(291,885)
Impairment Provision (-)	-
Closing Balance	**2,792,080**

(*) The Bank reassessed its business model in order to hold the financial assets to collect contractual cash flow the collection of contractual cash flows and sell the assets. Effective from the adoption date of TFRS 9, the Bank measures its marketable securities at amortized cost in accordance with its appropriate business model which aims to collect contractual cash flows, which is amounting to TL1,969,425 and previously classified as financial assets available-for-sale and measured at fair value. Accruals are included in purchases during the year.

b.2) Movement of held-to-maturity investments:

	Prior Period
Beginning Balance	361,508
Foreign Currency Differences on Monetary Assets	-
Purchases During the Year (*)	40,346
Disposals Through Sales and Redemptions	-
Impairment Provision (-)	-
Closing Balance	**401,854**

(*) Accruals are included in purchases during the year.

8. Information on associates (Net):

a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2017: None).

a.2) Information on the unconsolidated associates: None (31 December 2017: None).

a.3) Explanations of consolidated associates: None (31 December 2017: None).

a.4) Information on sector information on consolidated associates: None (31 December 2017: None).

a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2017: None).

9. Information on subsidiaries (Net):

a) Information on shareholders' equity of significant subsidiaries:

Subsidiaries do not use internal capital adequacy assessment approach.

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	45,674	44,047	6,567
Net income for the period and prior period income	47,030	43,589	5,871
Income/ Loss recognized under equity in accordance with TAS	-	-	(321)
Leasehold Improvements on Operational Leases (-)	365	159	-
Goodwill and intangible asset and the related deferred tax liability (-)	2,383	1,242	530
Total Common Equity Tier 1 Capital	**119,956**	**115,029**	**18,447**
General Provision	1,637	-	-
Total Equity	**121,593**	**115,029**	**18,447**

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

I. Explanations and Disclosures Related to the Assets (Continued)

9. Information on subsidiaries (Net): (Continued)

b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non–consolidate and minimum capital requirement: None (31 December 2017: None).

c) Information on the unconsolidated subsidiaries: None (31 December 2017: None).

d) Information on the consolidated subsidiaries:

d.1) Information on the consolidated subsidiaries:

		Address (City/ Country)	The Bank's share percentage-If different voting percentage (%)	Other shareholders' share percentage (%)
1	TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62	3.38
3	TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60	29.14

Information on the consolidated subsidiaries with the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
1	1,677,408	122,704	788	233,697	-	35,992	16,544	-
2	242,307	116,430	1,873	48,454	-	31,424	19,669	-
3	22,740	18,977	230	3,247	156	3,698	3,631	-

(*) These figures are shown per BRSA financial statements as of 31 December 2017.

d.2) Information on consolidated subsidiaries:

	Current Period
Balance at the beginning of the period	115,986
Movements during the period	-
Purchases	-
Bonus shares obtained	-
Share in current year income	-
Sales	-
Revaluation increase	-
Provision for impairment	-
Balance at the end of the period	**115,986**
Capital commitments	-
Share percentage at the end of the period (%)	-

	Prior Period
Balance at the beginning of the period	115,986
Movements during the period	-
Purchases	-
Bonus shares obtained	-
Share in current year income	-
Sales	-
Revaluation increase	-
Provision for impairment	-
Balance at the end of the period	**115,986**
Capital commitments	-
Share percentage at the end of the period (%)	-

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

I. Explanations and Disclosures Related to the Assets (Continued)

9. Information on subsidiaries (Net): (Continued)

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period
Banks	-
Insurance Companies	-
Factoring Companies/TEB Faktoring A.Ş.	43,417
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries/TEB Yatırım Men. Değ. A.Ş.	70,511
TEB Portföy Yönetimi A.Ş.	2,058
Total	**115,986**

	Prior Period
Banks	-
Insurance Companies	-
Factoring Companies/TEB Faktoring A.Ş.	43,417
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries/TEB Yatırım Men. Değ. A.Ş.	70,511
TEB Portföy Yönetimi A.Ş.	2,058
Total	**115,986**

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2017: None).

10. Explanations on entities under common control (joint ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	45,767	37,735	7,617	154,946	(139,881)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated the Bank's financial statements:

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2017: None).

12. Positive differences related to derivative financial assets for hedging purposes:

	Current Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	502,479	-
Foreign Net Investment Hedge	-	-
Total	**502,479**	**-**

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

I. Explanations and Disclosures Related to the Assets (Continued)

12. Positive differences related to derivative financial assets for hedging purposes: (Continued)

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

As of 31 December 2018, there is no valuation difference related to fair value hedge accounting.

According to cash flow hedges terminated by the Bank, accumulated valuation differences amounted TL24,658 is recorded under equity as of 31 December 2018 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

	Prior Period	
	TL	**FC**
Fair Value Hedge	4,454	-
Cash Flow Hedge	81,486	1,335
Foreign Net Investment Hedge	-	-
Total	**85,940**	**1,335**

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

As of 31 December 2017, valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges terminated by the Bank, accumulated valuation differences amounted TL18 is recorded under equity as of 31 December 2017 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on investment properties:

	31 Aralık 2017	**Additions**	**Disposals**	**Other**	**31 Aralık 2018**
Cost:					
Land and buildings	105,132	1,669	-	7,111	113,912
Leased tangible assets	-	-	-	-	-
Other	723,938	98,079	(23,749)	(6,829)	791,439
Total Cost	**829,070**	**99,748**	**(23,749)**	**282**	**905,351**
	31 Aralık 2017	**Period Charge**	**Disposals**	**Other**	**31 Aralık 2018**
Accumulated Depreciation:					
Land and buildings	46,709	4,110	-	-	50,819
Leased tangible assets	-	-	-	-	-
Other	510,739	73,859	(22,356)	-	562,242
Total Accumulated Depreciation	**557,448**	**77,969**	**(22,356)**	**-**	**613,061**
Net Book Value	**271,622**				**292,290**

a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None

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

I. Explanations and Disclosures Related to the Assets (Continued)

14. Information on intangible assets:

	31 December 2017	Additions	Disposals	Other	31 December 2018
Cost:					
Other intangible assets	302,695	68,561	(693)	-	370,563
Total Cost	**302,695**	**68,561**	**(693)**	**-**	**370,563**

	31 December 2017	Period Charge	Disposals	Other	31 December 2018
Accumulated Depreciation:					
Other intangible assets	204,049	59,240	(42)	-	263,247
Total Accumulated Depreciation	**204,049**	**59,240**	**(42)**	**-**	**263,247**
Net Book Value	**98,646**				**107,316**

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None.

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements.

i) Information on goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 "Business Combination", since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Acquired	-	-
Ending balance	**421,124**	**421,124**

15. Information on investment properties: None (31 December 2017: None)

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

I. Explanations and Disclosures Related to the Assets (Continued)

16. Explanations on deferred tax assets :

a) As of 31 December 2018, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL187,325 (31 December 2016: TL69,095). There are no tax exemptions or deductions over which deferred tax asset is computed.

b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

d) Movement of deferred tax:

	Current Period	**Prior Period**
At January 1	**69,095**	**42,562**
IFRS 9 transtion impact	219,896	-
Deferred Tax Benefit / (Charge)	(99,544)	64,565
Deferred Tax Accounted for under Equity	(2,122)	(38,032)
Deferred Tax Asset	**187,325**	**69,095**

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. The deferred tax charge of TL99,544 is stated under the tax provision in the income statement (31 December 2017: TL 64,565 income). The portion of the deferred tax that is directly attributable to equity which is presented in the table below has been netted within the relavent accounts in the statement of shareholders' equity.

	Current Period
Financial Assets at Fair Value through Other Comprehensive Income	29,676
Cash Flow Hedge	(38,364)
Actuarial Profit or Loss	6,566
Total	**(2,122)**

	Prior Period
Financial Assets Available for Sale	(1,049)
Cash Flow Hedge	(30,899)
Actuarial Profit or Loss	(6,084)
Total	**(38,032)**

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

I. Explanations and Disclosures Related to the Assets (Continued)

17. Information on assets held for sale and discontinued operations:

	Current Period
Beginning of Period Cost	90,677
Beginning of Period Accumulated Depreciation (-)	-
Net Book Value	**90,677**
Opening Balance	90,677
Acquired	109,037
Disposed(-)	88,923
Impairment (-)	1,687
Depreciation Value (-)	-
Period End Cost	109,104
Period End Accumulated Depreciation (-)	-
Closing Net Book Value	**109,104**

	Prior Period
Beginning of Period Cost	93,224
Beginning of Period Accumulated Depreciation (-)	1,970
Net Book Value	**91,254**
Opening Balance	91,254
Acquired	92,643
Disposed(-)	90,366
Impairment (-)	2,854
Depreciation Value (-)	-
Period End Cost	90,677
Period End Accumulated Depreciation (-)	-
Closing Net Book Value	**90,677**

18. Information on other asset

Other Assets item of the balance sheet amounting to TL2,098,320 (31 December 2016: TL1,319,742) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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

II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,843,615	-	7,064,993	12,635,918	2,592,790	347,412	135,942	-	24,620,670
Foreign Currency Deposits	6,125,847	-	5,702,852	13,314,064	362,293	219,166	168,175	-	25,892,397
Residents in Turkey	5,552,284	-	5,412,121	12,857,489	342,378	184,563	156,348	-	24,505,183
Residents Abroad	573,563	-	290,731	456,575	19,915	34,603	11,827	-	1,387,214
Public Sector Deposits	336,258	-	60,453	70,442	29,249	-	-	-	496,402
Commercial Deposits	2,672,300	-	1,769,680	3,147,808	820,947	255,150	388,716	-	9,054,601
Other Institutions Deposits	111,946	-	55,337	1,230,038	235,821	951,051	111,587	-	2,695,780
Precious Metals Deposits	507,192	-	34,816	512,511	32,089	95,628	-	-	1,182,236
Bank Deposits	47,697	-	227,383	-	-	-	-	-	275,080
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	17,495	-	227,383	-	-	-	-	-	244,878
Special Financial Institutions	30,181	-	-	-	-	-	-	-	30,181
Other	-	-	-	-	-	-	-	-	-
Total	**11,644,855**	**-**	**14,915,514**	**30,910,781**	**4,073,189**	**1,868,407**	**804,420**	**-**	**64,217,166**

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,579,123	-	3,775,899	12,996,864	646,500	49,920	29,352	-	19,077,658
Foreign Currency Deposits	4,298,539	-	4,003,364	12,945,150	168,275	84,585	41,763	-	21,541,676
Residents in Turkey	3,876,678	-	3,818,280	12,246,138	151,534	58,737	38,835	-	20,190,202
Residents Abroad	421,861	-	185,084	699,012	16,741	25,848	2,928	-	1,351,474
Public Sector Deposits	112,270	-	3,924	128,946	1,242	49	-	-	246,431
Commercial Deposits	3,162,029	-	1,579,379	5,086,824	507,806	240,276	22,194	-	10,598,508
Other Institutions Deposits	93,802	-	44,572	471,719	1,107,120	1,312,767	110,594	-	3,140,574
Precious Metals Deposits	238,094	-	27,741	317,908	40,024	68,732	-	-	692,499
Bank Deposits	20,549	-	258,821	-	-	-	-	-	279,370
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	20,528	-	258,821	-	-	-	-	-	279,349
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**9,504,406**	**-**	**9,693,700**	**31,947,411**	**2,470,967**	**1,756,329**	**203,903**	**-**	**55,576,716**

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

1 . b. Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	**Under the Guarantee of Insurance (*)**	**Exceeding the Limit of Insurance (*)**
	Current Period	**Current Period**
Saving Deposits	11,576,580	12,344,862
Foreign Currency Saving Deposits	3,449,885	11,524,532
Other Deposits in the Form of Saving Deposits	271,856	764,746
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-
Total	**15,298,321**	**24,634,140**

Saving Deposits	**Under the Guarantee of Insurance (*)**	**Exceeding the Limit of Insurance (*)**
	Prior Period	**Prior Period**
Saving Deposits	9,035,849	9,611,048
Foreign Currency Saving Deposits	2,346,653	8,271,415
Other Deposits in the Form of Saving Deposits	166,787	492,284
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-
Total	**11,549,289**	**18,374,747**

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

ii) Deposits of real persons not under the guarantee of saving deposit insurance:

	Current Period
Foreign Branches' Deposits and Other Accounts	590,915
Deposits of Controlling Shareholders and Their Close Families	1,393,010
Deposits of Chairman and Members of the Board of Directors and Their Close Families	58,066
Deposits Obtained Through Illegal Acts Defined in the 282nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 2004.	-
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	-
	Prior Period
Foreign Branches' Deposits and Other Accounts	481,344
Deposits of Controlling Shareholders and Their Close Families	1,824,044
Deposits of Chairman and Members of the Board of Directors and Their Close Families	43,508
Deposits Obtained Through Illegal Acts Defined in the 282nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 2004.	-
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	-

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

2. Information on derivative financial liabilities:

a) Negative differences related to derivative financial liabilities held-for-trading:

	Current Period	
	TL	**FC**
Forward Transactions	149,769	37,072
Swap Transactions	2,014,714	28,648
Futures Transactions	-	-
Options	134,174	5,119
Other		6,265
Total	**2,298,657**	**77,104**

	Prior Period	
	TL	**FC**
Forward Transactions	126,546	8,454
Swap Transactions	693,606	63,911
Futures Transactions	-	96
Options	54,655	10,017
Other	-	792
Total	**874,807**	**83,270**

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period	
	TL	**FC**
Funds Borrowed from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	243,558	608,957
From Foreign Banks, Institutions and Funds	-	10,913,648
Total	**243,558**	**11,522,605**

As of 31 December 2018, the Bank has borrowings from its related parties amounting to TL4,671,779.

	Prior Period	
	TL	**FC**
Funds Borrowed from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	176,925	506,810
From Foreign Banks, Institutions and Funds	-	12,083,277
Total	**176,925**	**12,590,087**

As of 31 December 2017, the Bank has borrowings from its related parties amounting to TL5,074,868.

b) Maturity analysis of borrowings:

	Current Period	
	TL	**FC**
Short-term	243,558	7,240,036
Medium and long-term	-	4,282,569
Total	**243,558**	**11,522,605**

	Prior Period	
	TL	**FC**
Short-term	176,925	8,755,730
Medium and long-term	-	3,834,357
Total	**176,925**	**12,590,087**

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

3. Information on funds borrowed and debt securities issued: (Continued)

c) Additional explanation related to the concentrations of the Bank's major liabilities:

The Bank diversifies its funding sources with customer deposits, borrowing from abroad, securities issued and money market borrowings. Deposits are the most significant funding source of the Bank and do not present any risk concentration with its stable structure spread over a wide range. Funds borrowed consist mainly of funds provided by various foreign financial institutions with different characteristics and maturity-interest structure. There is no risk concentration in the fund resources of the Bank

d) Information on debt securities issued:

	Current Period	
	TL	**FC**
Bank Bonds	526,592	-
Treasury Bills	-	-
Total	**526,592**	**-**

	Prior Period	
	TL	**FC**
Bank Bonds	1,289,688	-
Treasury Bills	-	-
Total	**1,289,688**	**-**

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

	Current Period	
	TL	**FC**
Domestic Transactions	**62,543**	**-**
Financial Institutions and Organizations	62,543	-
Other Institutions and Organizations	-	-
Individuals	-	-
Foreign Transactions	**-**	**-**
Financial Institutions and Organizations	-	-
Other Institutions and Organizations	-	-
Individuals	-	-
Total	**62,543**	**-**

	Prior Period	
	TL	**FC**
Yurtiçi İşlemlerden	**105,206**	**-**
Mali Kurum ve Kuruluşlar	105,206	-
Diğer Kurum ve Kuruluşlar	-	-
Gerçek Kişiler	-	-
Yurtdışı İşlemlerden	**-**	**-**
Mali Kurum ve Kuruluşlar	-	-
Diğer Kurum ve Kuruluşlar	-	-
Gerçek Kişiler	-	-
Toplam	**105,206**	**-**

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL1,806,383 (31 December 2017: TL599,037) do not exceed 10% of the total balance sheet

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

6. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements thaxt create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None

c) Explanation on financial lease payables: None (31 December 2017: None).

d) Explanations regarding operational leases:

For the period ended 31 December 2018, operational lease expenses amounting to TL248,941 (31 December 2017: TL218,418) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

7. Negative differences related to derivative financial liabilities for hedging purposes:

	Current Period	
	TL	**FC**
Fair Value Hedge	-	-
Cash Flow Hedge	384,325	4,857
Foreign Net Investment Hedge	-	-
Total	**384,325**	**4,857**

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2018, there is no valuation difference related to fair value hedge accounting.

According to cash flow hedges by the Bank, as of 31 December2018 accumulated valuation differences amounted TL24,658 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

	Prior Period	
	TL	**FC**
Fair Value Hedge	9,517	-
Cash Flow Hedge	433,500	314
Foreign Net Investment Hedge	-	-
Total	**443,017**	**314**

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2017, total valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges by the Bank, as of 31 December 2017 accumulated valuation differences amounted TL18 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

8. Information on provisions:

a) Information on general provisions:

	Current Period
Provisions for First Group Loans and Receivables	-
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Second Group Loans and Receivables	-
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non-Cash Loans	-
Other	-
Total	**-**

	Prior Period
Provisions for First Group Loans and Receivables	471,369
Additional Provision for Loans and Receivables with Extended Maturities	20,152
Provisions for Second Group Loans and Receivables	66,355
Additional Provision for Loans and Receivables with Extended Maturities	18,414
Provisions for Non-Cash Loans	30,767
Other	7,848
Total	**576,339**

b) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: There are no provision on the foreign currency indexed loans that is offset from the loans on the balance sheet (31 December 2017: TL6,239).

c) The specific provisions provided for unindemnified non-cash loans amount to TL47,696 (31 December 2017:TL48,741).

d) Liabilities on unused vacation, bonus, health and employee termination benefits:

As of 31 December 2018, TL12,744 (31 December 2017: TL13,333) unused vacation provision, TL173,020 (31 December 2017: TL118,236) employee termination benefit provision, TL143,382 (31 December 2017: TL123,071) bonus provision and TL 2,550 (31 December 2017: None) health expense provision are presented under "Reserve for Employee Benefit" in financial statements.

i) Termination Benefits:

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually.

	31 December 2018	31 December 2017
Discount Rate (%)	16.70	11.80
Expected Inflation Rate (%)	11.20	5.00
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	118,236	123,536
Service cost	12,398	14,134
Interest cost	13,552	12,077
Settlement cost	(14,851)	6,083
Actuarial loss	39,509	(22,336)
Benefits paid	4,176	(15,258)
Total	**173,020**	**118,236**

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

8. Information on provisions (continued)

ii) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the "Pension Fund Foundation" established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI "Explanations on Liabilities related to Rights of Employees" which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on TAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2018 and 31 December 2017. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions;

Transferrable Retirement and Health Liabilities:	31 December 2018	31 December 2017
Net Present Value of Transferrable Retirement Liabilities	(762,544)	(1,543,240)
Net Present Value of Transferrable Retirement and Health Contributions	336,330	539,015
General Administration Expenses	(7,625)	(15,432)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(433,839)	(1,019,657)
Fair Value of Plan Assets (2)	2,221,325	1,918,007
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	1,787,486	898,350
Non-Transferable Benefits (4)	(414,945)	(208,881)
Asset Surplus over Total Benefits ((3)-(4))	1,372,541	689,469

Distribution of fair value of total assets of the Retirement Fund as of 31 December 2018 and 31 December 2017 is presented below:

	31 December 2018	31 December 2017
Bank placements	2,084,814	1,775,504
Tangible assets	106,383	99,036
Other	30,128	43,467
Total	**2,221,325**	**1,918,007**

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on TAS 19 are as follows:

	31 December 2018	31 December 2017
Discount Rate	16.70%	11.80%
Expected Inflation Rate	11.20%	5.00%

As of 31 December 2018, medical inflation is expected more than 20% (31 December 2017: 20%). General wage increases and Social Security Institution (the "SSI") increase of ceiling rate is expected in parallel to inflation rate. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2017: CSO 2001) Female/Male mortality table is use.

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

8. Information on provisions (continued)

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2017: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period
Provision for Legal Cases	65,111
Provision for Non-Cash Loans	202,659
Provision for Promotions of Credit Cards and Banking Services	12,622
Other	50,594
Total	**330,986**

	Prior Period
Provision for Legal Cases	56,674
Provision for Unindemnified Non-Cash Loans	48,741
Provision for Promotions of Credit Cards and Banking Services	12,265
Other	67,114
Total	**184,794**

The following table is represented reconciliation on the provision for impairment of non-cash loans.

	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non performing loans (Stage 3)	Total
31 December 2017	30,407	359	48,741	79,507
IFRS 9 transition effect	9,466	51,650	(26,949)	34,167
Transfers;				
- Stage 1 to Stage 2	(2,680)	22,071	-	19,391
- Stage 1 to Stage 3	(857)	-	17,513	16,656
- Stage 2 to Stage 3	-	(4,465)	42,305	37,840
- Stage 3 to Stage 2	-	-	-	-
- Stage 2 to Stage 1	7,063	(16,753)	-	(9,690)
Transferred within the period	24,096	70,315	(13,757)	80,654
Collections	(16,754)	(18,955)	(20,157)	(55,866)
Write-offs (*)	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses	**50,741**	**104,222**	**47,696**	**202,659**

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

9. Explanations on taxes payable:

a) Information on current tax provision:

As of 31 December 2018, the Bank's corporate tax provision is TL96,184 (31 December 2017: TL73,989)

As of 31 December 2018, the Bank's total tax and premium liability is TL291,338. (31 December 2017: TL229,944)

b) Information on current tax liability

	Current Period
Corporate Tax Payable	96,184
Taxation on Securities	76,902
Property Tax	2,379
Banking Insurance Transaction Tax (BITT)	73,128
Foreign Exchange Transaction Tax	39
Value Added Tax Payable	4,712
Other (*)	20,192
Total	**273,536**

(*) Others include income taxes deducted from wages amounting to TL16,820 and stamp taxes payable amounting to TL1,693.

	Prior Period
Corporate Tax Payable	73,989
Taxation on Securities	49,230
Property Tax	2,275
Banking Insurance Transaction Tax (BITT)	46,035
Foreign Exchange Transaction Tax	34
Value Added Tax Payable	6,356
Other (*)	18,550
Total	**196,469**

(*) Others include income taxes deducted from wages amounting to TL14,977 and stamp taxes payable amounting to TL1,239.

c) Information on premiums:

	Current Period
Social Security Premiums-Employee	7,641
Social Security Premiums-Employer	8,432
Bank Social Aid Pension Fund Premium-Employee	-
Bank Social Aid Pension Fund Premium-Employer	-
Pension Fund Membership Fees and Provisions-Employee	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employee	656
Unemployment Insurance-Employer	1,073
Other	-
Total	**17,802**

	Prior Period
Social Security Premiums-Employee	24,362
Social Security Premiums-Employer	7,581
Bank Social Aid Pension Fund Premium-Employee	-
Bank Social Aid Pension Fund Premium-Employer	-
Pension Fund Membership Fees and Provisions-Employee	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employee	584
Unemployment Insurance-Employer	948
Other	-
Total	**33,475**

d) Explanations on deferred tax liabilities, if any: Bank has no deferred tax liabilities as of 31 December 2018 (31 December 2017: None)

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

10. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2017: None).

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank has issued Subordinated debt instrument which has two early redemption rights, the earliest five-year end of which is not before 5 years, and the first interest-to-pay interest period in the amount of USD210 million with the maturity of 10 years on 5 November 2018. The interest rate of the issuance is 10.40% per annum and will be continued at the end of the 5th year with an annual interest rate of 6 months Libor + 7.32% after the first early redemption date.

The Bank, during its Board of Directors' meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD65 million on 14 May 2012. The semiannually interest rate of the issuance is determined as USD Libor + 5.75%. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA).

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA. After the approval of the BRSA, debt instruments have complied with article 8/2(ğ) of "Regulation on Equity of Banks" without changing their issue dates.

The bank has issued subordinated debt instrument which has early redemption right in 27 June 2023,with the maturity of 10 years in the amount of EUR125 million in 27 June 2018. The interest rate of the issuance is 6 month Euribor + 5.10% per annum.

The above mentioned four subordinated loans are utilized in-line with the "loan capital" definition of BRSA and will positively affect the capital adequacy ratio of the TEB as well as utilizing long term funding.

a) Information on subordinated loans

	Current Period	
	TL	**FC**
Debt Instruments to be Included in the Additional Capital Calculation	-	-
Subordinated loans	-	-
Subordinated Debt Instruments	-	-
Debt Instrument to be Included in the Contribution Capital Calculation	-	2,843,148
Subordinated Loans	-	-
Subordinated Debt Instruments	-	2,843,148
Total	**-**	**2,843,148**

	Prior Period	
	TL	**FC**
Debt Instruments to be Included in the Additional Capital Calculation	-	-
Subordinated loans	-	-
Subordinated Debt Instruments	-	-
Debt Instrument to be Included in the Contribution Capital Calculation	-	2,314,083
Subordinated Loans	-	-
Subordinated Debt Instruments	-	2,314,083
Total	**-**	**2,314,083**

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (Continued)

a) Information on subordinated loans:

	Current Period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Instutions	-	-
From Foreign Banks	-	2,496,465
From Other Foreign Instutions	-	346,683
Total	**-**	**2,843,148**

	Prior Period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Instutions	-	-
From Foreign Banks	-	1,819,913
From Other Foreign Instutions	-	494,170
Total	**-**	**2,314,083**

12. Information on Shareholders' Equity:

a) Presentation of Paid-in Capital:

	Current Period
Common Stock	2,204,390
Preferred Stock	-

	Prior Period
Common Stock	2,204,390
Preferred Stock	-

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

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases, their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the Bank is followed up and estimated by the Bank's Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

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

II. Explanations and Disclosures Related to the Liabilities (Continued)

12. Information on Shareholders' Equity: (Continued)

h) Information on marketable securities valuation differences:

	Current Period	
	TL	**FC**
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference	(131,232)	(8,323)
Foreign Exchange Difference	-	-
Total	**(131,232)**	**(8,323)**

	Prior Period	
	TL	**FC**
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference	(41,282)	9,733
Foreign Exchange Difference	-	-
Total	**(41,282)**	**9,733**

13. Information on minority shares: None (31 December 2017: None)

III. Explanations and Disclosures Related to the Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period
Commitments for Credit Card Expenditure Limits	6,093,650
Loan Granting Commitments	4,402,209
Asset Purchase and Sale Commitments	3,128,940
Payment Commitments for Cheques	1,681,617
Time Deposit Purchase and Sale Commitments	603,610
Tax and Fund Liabilities from Export Commitments	54,955
Commitments for Promotions Related with Credit Cards and Banking Activities	4,357
Other Irrevocable Commitments	107,073
Total	**16,076,411**

	Prior Period
Asset Purchase and Sale Commitments	7,314,209
Commitments for Credit Card Expenditure Limits	5,411,646
Loan Granting Commitments	4,631,069
Payment Commitments for Cheques	2,387,642
Tax and Fund Liabilities from Export Commitments	31,047
Commitments for Promotions Related with Credit Cards and Banking Activities	3,723
Other Irrevocable Commitments	198,938
Total	**19,978,274**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (Continued)

1. Information on off-balance sheet liabilities: (Continued)

b) Possible losses and commitments related to off-balance sheet items:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period
Letters of Credit	2,691,811
Bank Acceptances	34,672
Other Commitments	4,838,088
Other Contingencies	1,033,453
Total	**8,598,024**

	Prior Period
Letters of Credit	2,396,568
Bank Acceptances	42,316
Other Commitments	3,876,432
Other Contingencies	1,227,786
Total	**7,543,102**

b.2) Guarantees, surety ships, and similar transactions:

	Current Period
Guarantee Letters	9,801,321
Advance Guarantee Letters	1,681,247
Guarantee Letters Given for Customs	519,302
Temporary Guarantee Letters	386,289
Other Guarantee Letters	1,684,317
Total	**14,072,476**

	Prior Period
Guarantee Letters	9,092,727
Advance Guarantee Letters	1,224,234
Temporary Guarantee Letters	779,900
Guarantee Letters Given for Customs	478,659
Other Guarantee Letters	1,463,760
Total	**13,039,280**

c) Total amount of non-cash loans:

	Current Period
Non-cash Loans Given Against Achieving Cash Loans	1,684,317
With Maturity of One Year or Less Than One Year	268,524
With Maturity of More Than One Year	1,415,793
Other Non-Cash Loans	20,986,183
Total	**22,670,500**

	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1,482,962
With Maturity of One Year or Less Than One Year	264,000
With Maturity of More Than One Year	1,218,962
Other Non-Cash Loans	19,099,420
Total	**20,582,382**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (Continued)

1. Information on off-balance sheet liabilities: (Continued)

c.2) Information on sectoral risk breakdown of non-cash loans

	Current Period			
	(%)	**FC**		**(%)**
Agricultural	47,823	0.51	44,716	0.33
Farming and raising livestock	31,599	0.34	44,716	0.33
Forestry, Wood and Paper	-	-	-	-
Fishery	16,224	0.17	-	-
Manufacturing	2,708,372	29.12	7,080,287	52.96
Mining and Quarry	218,525	2.35	233,095	1.74
Production	2,370,092	25.48	6,588,980	49.29
Electricity, Gas and Water	119,755	1.29	258,212	1.93
Construction	1,943,616	20.89	2,317,908	17.34
Services	4,376,238	47.04	3,562,957	26.65
Wholesale and Retail Trade	1,304,288	14.02	1,220,149	9.13
Hotel, Tourism, Food and Beverage Services	109,997	1.18	62,813	0.47
Transportation and Communication	571,791	6.15	402,858	3.01
Financial Instutions	521,690	5.61	751,657	5.62
Real Estate and Renting	1,746,329	18.77	1,018,659	7.62
Self- employment Services	92,457	0.99	104,080	0.78
Education Services	9,825	0.11	96	0.00
Health and Social Services	19,861	0.21	2,645	0.02
Other	226,264	2.43	362,319	2.71
Total	**9,302,313**	**100.00**	**13,368,187**	**100.00**

	Prior Period			
	TL	**(%)**	**FC**	**(%)**
Agricultural	40,136	0.46	40,915	0.35
Farming and raising livestock	37,123	0.42	40,915	0.35
Forestry, Wood and Paper	-	-	-	-
Fishery	3,013	0.04	-	-
Manufacturing	1,881,639	21.40	5,159,239	43.76
Mining and Quarry	233,647	2.66	299,601	2.54
Production	1,467,532	16.68	4,659,371	39.51
Electricity, Gas and Water	180,460	2.05	200,267	1.70
Construction	2,073,224	23.58	1,607,285	13.63
Services	4,743,244	53.95	4,936,810	41.87
Wholesale and Retail Trade	2,524,939	28.72	3,060,187	25.96
Hotel, Tourism, Food and Beverage Services	104,846	1.19	93,963	0.80
Transportation and Communication	682,040	7.76	598,914	5.08
Financial Instutions	308,205	3.51	342,281	2.90
Real Estate and Renting	1,008,056	11.47	723,774	6.14
Self- employment Services	86,541	0.98	114,774	0.97
Education Services	3,451	0.04	31	-
Health and Social Services	25,166	0.28	2,886	0.02
Other	53,990	0.61	45,900	0.39
Total	**8,792,233**	**100.00**	**11,790,149**	**100.00**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (Continued)

1. Information on off-balance sheet liabilities: (Continued)

c.3) Information on Ist and IInd Group non-cash loans:

	I st Group		II nd Group	
Non-cash loans	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	6,321,989	6,584,098	562,196	604,193
Bank acceptances	-	34,439	-	233
Letters of credit	2,738	2,631,520	-	57,553
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	2,384,877	3,247,711	30,513	208,440
Total	**8,709,604**	**12,497,768**	**592,709**	**870,419**

The Bank provided a reserve for TL259,393 (31 December 2017: TL86,629) of non-cash loans not indemnified which equals to net amounting to TL47,696 (31 December 2017: TL48,741).

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes	
	Trading	**Hedging**
	Current Period	**Current Period**
Types of trading transactions		
Foreign currency related derivative transactions (I):	82,690,619	-
Forward transactions	11,993,806	-
Swap transactions	58,021,271	-
Futures transactions	-	-
Option transactions	12,675,542	-
Interest related derivative transactions (II):	3,099,012	-
Forward rate transactions	-	-
Interest rate swap transactions	3,099,012	-
Interest option transactions	-	-
Futures interest transactions	-	-
Marketable securities call-put options (III)	-	-
Other trading derivative transactions (IV)	141,773	-
A.Total trading derivative transactions (I+II+III+IV)	**85,931,404**	**-**
Types of hedging transactions		
Fair value hedges	-	-
Cash flow hedges	-	24,658,994
Net investment hedges	-	-
B. Total hedging related derivatives	**-**	**24,658,994**
Total Derivative Transactions (A+B)	**85,931,404**	**24,658,994**

	Derivative transactions according to purposes	
	Trading	**Trading**
	Prior Period	**Prior Period**
Types of trading transactions		
Foreign currency related derivative transactions (I):	89,419,346	-
Forward transactions	17,347,430	-
Swap transactions	56,183,278	-
Futures transactions	523,178	-
Option transactions	15,365,460	-
Interest related derivative transactions (II):	3,572,423	-
Forward rate transactions		-
Interest rate swap transactions	3,108,138	-
Interest option transactions	-	-
Futures interest transactions	464,285	-
Marketable securities call-put options (III)	-	-
Other trading derivative transactions (IV)	85,042	-
A.Total trading derivative transactions (I+II+III+IV)	**93,076,811**	**-**
Types of hedging transactions		
Fair value hedges	-	214,454
Cash flow hedges	-	23,124,985
Net investment hedges	-	-
B. Total hedging related derivatives	**-**	**23,339,439**
Total Derivative Transactions (A+B)	**93,076,811**	**23,339,439**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (Continued)

2. Information related to derivative financial instruments: (Continued)

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

In 2018, the Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2018,there are no fair value hedging derivative instruments. As of December 31, 2017, the nominal value of the derivative instruments for risk management purposes is TL214,454 and the net fair value is negative TL5,063. The fair value gain of the hedged loans was TL99. The Bank accounted TL58 gain for derivative instruments used for hedging purposes and TL99 gain from hedged item loans in the financial statements

	Current Period		
		Fair Value	
	Nominal	Asset	Liability
Cross Currency Swaps	-	-	-
Interest Rate Swaps	-	-	-
Total	**-**	**-**	**-**

	Prior Period		
		Fair Value	
	Nominal	Asset	Liability
Cross Currency Swaps	214,454	4,454	9,517
Interest Rate Swaps	-	-	-
Total	**214,454**	**4,454**	**9,517**

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL24,658,994 (31 December 2017: TL23,124,985) and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL350,622 (31 December 2017: TL175,119) credit accounted for under equity is presented after deducting its deferred tax effect of TL76,890 (31 December 2017: TL38,526) debit in the financial statements. In 2018, ineffective portion of TL24,658 (31 December 2017: None) expense is accounted for under income statement.

	Current Period		
		Fair Value	
	Nominal	Asset	Liability
Cross Currency Swaps	2,936,400	295,600	198,026
Interest Rate Swaps	21,722,594	206,879	191,156
Total	**24,658,994**	**502,479**	**389,182**

	Prior Period		
		Fair Value	
	Nominal	Asset	Liability
Cross Currency Swaps	1,441,880	77,090	77,219
Interest Rate Swaps	21,683,105	5,731	356,595
Total	**23,124,985**	**82,821**	**433,814**

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (Continued)

3. Credit derivatives and risk exposures on credit derivatives: None

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2018, there are no contingent assets that need to be explained (31 December 2017: None).

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes. The Bank has provided provision amounting to TL 65,111 for various lawsuits filed by various individuals and institutions with high probability of occurrence and cash outflow. This amount is presented under inde Other Provisions nakit in the financial statements.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

6. The information on the Bank's rating by the international rating introductions (*):

TEB maintained its position as one of the most highly rated banks in Turkey. As of the 31 December 2018, TEB's ratings were as follows:

Moody's Investor Services:	
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	ba3
Long Term FC Deposits	B2
Short Term FC Deposits	NP
Long Term TL Deposits	Ba3
Short Term TL Deposits	NP
Outlook	Negative

Fitch Ratings:	
Foreign Currency	
Long-term	BB-
Short-term	B
Outlook	Negative
Turkish Lira	
Long-term	BB+
Short-term	B
Outlook	Negative
National	AAA (tur)
Outlook	Stable
Financial Strength	b+

(*) Ratings above are not performed based on the "Communiqué for Authorization and Activities of Rating Institutions" published by the Capital Markets Board.

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

IV. Explanations and Disclosures Related to the Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period	
	TL	**FC**
Interest income on loans (*)		
Short term loans	4,289,402	307,025
Medium and long term loans	4,611,920	336,819
Interest on loans under follow-up	148,034	1,295
Premiums received from Resource Utilization Support Fund	-	-
Total	**9,049,356**	**645,139**

(*) Includes fees and commissions obtained from cash loans amounting to TL120,720.

	Prior Period	
	TL	**FC**
Interest income on loans (*)		
Short term loans	2,583,555	172,931
Medium and long term loans	4,048,006	263,515
Interest on loans under follow-up	51,119	-
Premiums received from Resource Utilization Support Fund	-	-
Total	**6,682,680**	**436,446**

(*) Includes fees and commissions obtained from cash loans amounting to TL113,051.

b) Information on interest income on banks:

	Current Period	
	TL	**FC**
The Central Bank of Turkey	-	19,422
Domestic banks	130,507	2,273
Foreign banks	14,102	58,460
Branches and head office abroad	-	-
Total	**144,609**	**80,155**

	Prior Period	
	TL	**FC**
The Central Bank of Turkey	-	9,152
Domestic banks	44,831	855
Foreign banks	5,216	5,717
Branches and head office abroad	-	-
Total	**50,047**	**15,724**

c) Information on interest income on marketable securities portfolio:

	Current Period	
	TL	**FC**
Financial Assets at Fair Value Through Profit or Loss	153,166	13,768
Financial Assets at Fair Value Through Other Comprehensive Income	493,807	15,350
Financial Assets Measured at Amortized Cost	435,730	-
Total	**1,082,703**	**29,118**

	Prior Period	
	TL	**FC**
Financial Assets Held for Trading	40,445	6,517
Financial Assets Valued at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	461,191	903
Held-to-Maturity Investments	48,413	-
Total	**550,049**	**7,420**

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

1. Explanations on Interest Income (Continued)

d) Interest Income on Subsidiaries and Associates:

	Current Period
Interest received from Subsidiaries and Associates	1,114

	Prior Period
Interest received from Subsidiaries and Associates	474

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period	
	TL	**FC**
Banks		
The Central Bank of Turkey	-	-
Domestic banks	14,298	15,056
Foreign banks	-	440,336
Branches and head office abroad	-	-
Other financial institutions	-	-
Total	**14,298**	**455,392**

(*) Includes fees and commission expenses of cash loans amounting to TL18,654.

	Prior Period	
	TL	**FC**
Banks		
The Central Bank of Turkey	-	-
Domestic banks	10,207	4,967
Foreign banks	-	302,404
Branches and head office abroad	-	-
Other financial institutions	-	10,292
Total	**10,207**	**317,663**

(*) Includes fees and commission expenses of cash loans amounting to TL11,885.

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

2. Explanations on Interest Expense (Continued)

b) Information on interest expense on associates and subsidiaries:

	Current Period
Interest expenses to associates and subsidiaries	3,790

	Prior Period
Interest expenses to associates and subsidiaries	1,419

c) Information on interest expenses on securities issued:

	Current Period	
	TL	**FC**
Interest Expense on securities issued	251,229	116
Total	**251,229**	**116**

	Prior Period	
	TL	**FC**
Interest Expense on securities issued	83,592	-
Total	**83,592**	**-**

d) Distribution of interest expenses on deposits based on maturity of deposits:

Current Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Accumulated Deposits**	**Total**
TL								
Bank Deposits	-	40,583	-	-	-	-	-	40,583
Saving Deposits	9	936,448	2,430,755	170,360	25,026	6,834	-	3,569,432
Public Sector Deposits	-	1,986	28,297	3,647	-	-	-	33,930
Commercial Deposits	7	324,551	779,885	133,348	47,432	29,421	-	1,314,644
Other Deposits	-	16,746	169,924	99,501	332,203	17,494	-	635,868
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**16**	**1,320,314**	**3,408,861**	**406,856**	**404,661**	**53,749**	**-**	**5,594,457**
FC								
Foreign Currency Deposits	5	90,798	549,710	9,041	3,751	4,089	-	657,394
Bank Deposits	-	10,820	-	-	-	-	-	10,820
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	487	8,898	552	2,246	-	-	12,183
Total	**5**	**102,105**	**558,608**	**9,593**	**5,997**	**4,089**	**-**	**680,397**
Grand Total	**21**	**1,422,419**	**3,967,469**	**416,449**	**410,658**	**57,838**	**-**	**6,274,854**

Prior Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Accumulated Deposits**	**Total**
TL								
Bank Deposits	-	15,941	-	-	-	-	-	15,941
Saving Deposits	-	355,897	1,442,673	76,828	4,102	2,783	-	1,882,283
Public Sector Deposits	-	1,568	10,611	1,079	5	-	-	13,263
Commercial Deposits	-	155,210	532,928	58,588	23,063	433	-	770,222
Other Deposits	-	3,726	99,577	147,211	120,753	8,832	-	380,099
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**532,342**	**2,085,789**	**283,706**	**147,923**	**12,048**	**-**	**3,061,808**
FC								
Foreign Currency Deposits	285	59,180	362,953	5,459	2,103	1,176	-	431,156
Bank Deposits	-	6,160	-	-	-	-	-	6,160
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	1	381	4,921	480	1,539	-	-	7,322
Total	**286**	**65,721**	**367,874**	**5,939**	**3,642**	**1,176**	**-**	**444,638**
Grand Total	**286**	**598,063**	**2,453,663**	**289,645**	**151,565**	**13,224**	**-**	**3,506,446**

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

3. Information on dividend income

	Cari Dönem
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	435
Other	16,473
Total	**16,908**

	Önceki Dönem
Trading Securities	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	1,224
Other	17,894
Total	**19,118**

4. Information on trading gain / loss:

	Current Period
Gains	**62,484,310**
Gains on capital market operations	165,933
Gains on derivative financial instruments (*)	23,020,693
Foreign exchange gains (**)	39,297,684
Losses (-)	**62,909,232**
Losses on capital market operations	344,561
Losses on derivative financial instruments (*)	20,147,392
Foreign exchange losses (**)	42,417,279

(*) Foreign exchange net gain on hedging transactions is TL235,442.

(**) Foreign exchange net gain on derivative financial transactions are TL499,306.

	Prior Period
Gains	**22,821,080**
Gains on capital market operations	60,447
Gains on derivative financial instruments (*)	7,431,068
Foreign exchange gains (**)	15,329,565
Losses (-)	**23,756,187**
Losses on capital market operations	89,683
Losses on derivative financial instruments (*)	8,126,304
Foreign exchange losses (**)	15,540,200

(*) Foreign exchange net gain on hedging transactions is TL113,807.

(**) Foreign exchange net gain on derivative financial transactions are TL50,701.

5. Information on other operating income:

Other operating income of the Bank mainly consists of all transaction costs collected from clients and disposal of assets.

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

6. Provision expenses of banks for loans and other receivables:

a) Allowance for Expected Credit Losses:

	Current Period
Expected Credit Losses	1,228,110
12-Month Expected Credit Losses (Stage 1)	92,738
Significant Increase in Credit Risk (Stage 2)	247,599
Credit-Impaired (Stage 3)	887,773
Impairment Provisions for Financial Assets	-
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
Impairment Provision Related to Investments in Associates, Subsidiaries and Joint Ventures	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	19,355
Total	**1,247,465**

b) Provision expenses of banks for loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	551,432
III. Group Loans and Receivables	107,287
IV. Group Loans and Receivables	161,524
V. Group Loans and Receivables	282,621
General provision expenses	(107,554)
Provision expenses for possible losses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	-
Impairment provision expense	-
Associates	-
Subsidiaries	-
Entities under common control (Joint Vent.)	-
Held to maturity investments	-
Other	2,882
Total	**446,760**

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

7. Information on other operating expenses:

	Current Period
Personnel expenses	1,232,546
Reserve for employee termination benefits	15,275
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	77,969
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortization expenses of intangible assets	59,240
Impairment for investments accounted with equity method	-
Impairment expenses of assets to be disposed	1,687
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and discontinued operations	-
Other operating expenses	989,087
Operating lease expenses	248,941
Maintenance expenses	28,813
Advertisement expenses	86,823
Other expenses	624,510
Loss on sales of assets	4,762
Other (*)	266,569
Total	**2,647,135**

(*) Included in other TL101,862 is premiums paid to the Saving Deposit Insurance Fund, TL104,624 is other taxes and duties paid.

	Prior Period
Personnel expenses	1,120,339
Reserve for employee termination benefits	17,036
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	84,630
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortization expenses of intangible assets	46,461
Impairment for investments accounted with equity method	-
Impairment expenses of assets to be disposed	2,854
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and discontinued operations	-
Other operating expenses	875,273
Operating lease expenses	218,418
Maintenance expenses	24,222
Advertisement expenses	96,672
Other expenses	535,961
Loss on sales of assets	3,395
Other (*)	254,917
Total	**2,404,905**

(*) Included in other TL70,013 is premiums paid to the Saving Deposit Insurance Fund, TL109,815 is other taxes and duties paid

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

8. Information of the profit/loss on continued and discontinued operations:

a) Profit before tax consists of net interest income amounting to TL4,206,089 (31 December 2017: TL3,907,817) and net fee and commission income amounting to TL1,270,224 (31 December 2017: TL1,059,666) while operational expenses are TL2,647,135 (31 December 2017: TL2,404,905).

b) Information of the profit/(loss) on discontinued operations:

None.

9. Information on tax provision for continued and discontinued operations:

a) As of 31 December 2018, the current tax charge is TL179,473 (31 December 2017: TL308,657). Deferred tax expense is TL99,544 (31 December 2017: TL64,565 deferred tax income) and there is no current and deferred tax income/expense from discontinued operations (31 December 2017: None).

b) Deferred tax expense on temporary differences resulted from continued operations is TL99,544 (31 December 2017: TL64,565 deferred tax income).

c) Tax reconciliation:

	Current Period
Profit before tax	**1,280,720**
Additions	**30,651**
Nonallowable expenses	28,621
Other	2,030
Deductions	**(34,286)**
Dividend income	(16,718)
Other	(17,568)
Taxable Profit/ (Loss)	**1,277,085**
Corporate tax rate	22%
Tax calculated	**280,959**
Previous year tax adjustment effect	(1,942)
Tax charge	**279,017**

	Prior Period
Profit before tax	**1,312,931**
Additions	**45,867**
Nonallowable expenses	45,867
General Loan Loss Provision	**(138,338)**
Other	(107,808)
Deductions	(18,598)
Dividend income	(11,932)
Taxable Profit/ (Loss)	**1,220,460**
Corporate tax rate	20%
Tax calculated	**244,092**
Previous year tax adjustment effect	-
Tax charge	**244,092**

10. Information on net profit/loss from continued and discontinued operations:

As of 31 December 2018, the Bank's net profit from continued operations is TL1,001,703 (31 December 2017: TL1,068,839) As of 31 December 2018, there is no net profit from discontinued operations. (31 December 2017: None).

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

IV. Explanations and Disclosures Related to the Statement of Income (Continued)

11. The explanations on net income/loss for the period:

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2017: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2017: None).

c) Profit/ loss attributable to minority interest: None (31 December 2017: None).

12. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

	Current Period
Other fees and commissions received	
Card Fee and Commissions	1,011,356
Service Commissions	140,599
Insurance Commissions	130,011
Intelligence Fee and Commissions	51,883
Settlement Expense Provision, Eft, Swift, Agency Commissions	40,078
Transfer Commissions	30,651
Fund Management Fees	21,220
Commissions and Fees Earned from Correspondent Banks	4,254
Other	256,465
Total	**1,686,517**
Other fees and commissions paid	
Credit Cards Commissions and Fees	498,961
Commission and Fees Paid to Correspondent Banks	36,409
Settlement Expense Provision, Eft, Swift, Agency Commissions	18,500
Other	86,486
Total	**640,356**

	Prior Period
Other fees and commissions received	
Card Fee and Commissions	676,969
Service Commissions	120,721
Insurance Commissions	120,418
Intelligence Fee and Commissions	60,114
Settlement Expense Provision, Eft, Swift, Agency Commissions	32,847
Fund Management Fees	20,779
Transfer Commissions	14,761
Commissions and Fees Earned from Correspondent Banks	3,054
Other	250,224
Total	**1,299,887**
Other fees and commissions paid	
Credit Cards Commissions and Fees	290,090
Settlement Expense Provision, Eft, Swift, Agency Commissions	17,219
Commissions and Fees Paid to Correspondent Banks	16,681
Other	77,996
Total	**401,986**

V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

a) The effect of changes in the fair value of financial assets at fair value through profit or loss is recognized in the "Marketable Securities Valuation Differences" account under the equity. The relevant amount is decreased by TL 135,494 in 2018 (31 Aralık 2017: TL21,475 increase) and change effect to deferred tax is TL29,676 (31 Aralık 2017: TL1,049).

b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in "Hedging Funds" account. The related amount in 2018 increased by TL175,504 (31 December 2017: TL136,983 increased) and the effect of this change to deferred tax is TL38,364 (31 December 2017: TL30,899).

c) Explanations on profit distribution:

It has been resolved in the Ordinary General Assembly dated 26 March 2018 of the Bank, TL1,068,839 that constitutes the 2017 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL53,442 as Legal Reserves, TL0.78 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL100,000 as First Dividend to Shareholders.

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

"Other items" amounting to TL6,644,599 (31 December 2017: TL3,745,204) in "Operating profit before changes in operating assets and liabilities" consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

"Net decrease in other liabilities" amounting to TL1,999,209 (31 December 2017: TL506,617) in "Changes in operating assets and liabilities" consists of changes in sundry creditors, other liabilities and interbank money market borrowings. "Net decrease/increase in other assets" with a total amount of TL56,907 (31 December 2017: TL324,266) consists of changes in sundry debtors, blocked reserved deposits and other assets.

"Other items" amounting to TL68,561 (31 December 2016: TL63,519) in "Net cash provided from investing activities" consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL1,516,339 for the year 2018 (31 December 2016: TL413,878).

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

VI. Explanations and Disclosures Related to Statement of Cash Flows (Continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	**Current Period**
Cash	**3,424,493**
Cash in TL/Foreign Currency	919,549
Central Bank – Unrestricted amount	2,427,043
Other	77,901
Cash equivalents	**2,512,627**
Banks	2,512,627
Money market placements	-
Total cash and cash equivalents	**5,937,120**

End of the period	**Current Period**
Cash	**8,834,731**
Cash in TL/Foreign Currency	2,006,466
Central Bank – Unrestricted amount	6,721,963
Other	106,302
Cash equivalents	**4,199,335**
Banks	3,917,835
Money market placements	281,500
Total cash and cash equivalents	**13,034,066**

Beginning of the period	**Prior Period**
Cash	**3,831,531**
Cash in TL/Foreign Currency	814,303
Central Bank – Unrestricted amount	2,934,387
Other	82,841
Cash equivalents	**3,568,598**
Banks	1,568,598
Money market placements	2,000,000
Total cash and cash equivalents	**7,400,129**

End of the period	**Prior Period**
Cash	**3,424,493**
Cash in TL/Foreign Currency	919,549
Central Bank – Unrestricted amount	2,427,043
Other	77,901
Cash equivalents	**2,512,627**
Banks	2,512,627
Money market placements	-
Total cash and cash equivalents	**5,937,120**

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

VII. Explanations and Disclosures Related to Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items of previous periods are presented as of 31 December 2017 and income/expense items of previous periods are presented as of 31 December 2017.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	132,994	1,089	167,506	301,623	275,065	134,644
Balance at End of Period	97,952	971	73,228	260,569	281,838	20,136
Interest and Commission Income	1,114	64	17,331	1,310	6,728	450

Direct and indirect shareholders of the Bank balance above includes TL53,708 and other entities included in the risk group balance above includes TL279,827 placement in "Banks".

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	79,163	942	240,153	188,104	104,280	124,716
Balance at end of Period	132,994	1,089	167,506	301,623	275,065	134,644
Interest and Commission Income	474	69	4,781	63	3,048	453

Direct and indirect shareholders of the Bank balance above includes TL67,455 and other entities included in the risk group balance above includes TL263,586 placement in "Banks".

c) c.1)Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
Deposits	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Balance at Beginning of Period	42,863	21,472	1,524,306	1,355,438	756,839	1,095,132
Balance at End of Period	57,033	42,863	1,497,789	1,524,306	1,055,942	756,839
Interest on Deposits	3,790	1,419	95,774	62,614	103,901	62,344

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of Period	-	78,862	35,229,756	25,275,220	655,880	247,304
End of Period	34,685	-	28,512,967	35,229,756	1,210,586	655,880
Total Profit/loss	3,578	10,725	(349,116)	(263,137)	(26,780)	3,795
Hedging Transactions purposes						
Beginning of Period	-	-	12,113,184	3,032,500	-	-
End of Period	-	-	17,581,390	12,113,184	-	-
Total Profit/Loss	-	-	637,693	49,591	-	-

d) As of 31 December 2018, the total amount of remuneration and benefits provided for the senior management of the Bank is TL43,586 (31 December 2017: TL34,281).

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

VIII. Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees	Country	Total Assets	Capital
Domestic branches	499	9,416			
Rep-offices abroad	-	-	-		
Branches abroad	4	71	Cyprus	1,024,104	20,000
Off-shore branches	-	-	-	-	-

2. Explanations on Branch and Agency Openings or Closings of the Bank:

In the year 2018, the Bank closed 1 branches, there are no branches opened during the year.

IX. Explanations and Disclosures Related to Subsequent Events

i) After Alain Georges Auguste FONTENEAU, the member of the Board of Directors, has resigned from his duty, Nicolas de BAUDINET de COURCELLES has been assigned as a member of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code as of 7 January 2019, that will be presented to the approval of the first general assembly

ii) The Bank issued a bond on 11 January 2019, with a nominal value of TL143,937 maturity of 70 days with the ISIN code "TRFTEBK31919"

iii) The Bank issued a bond on 18 January 2019, with a nominal value of TL7,400 maturity of 98 days with the ISIN code "TR0TEBK00ZA6"

iv) The Bank issued a bond on 24 January 2019, with a nominal value of TL87,358 maturity of 71 days with the ISIN code "TRFTEBK41918"

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on Activities of Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements of the Bank were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor's report dated 6 February 2019 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

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