

3rd
Year

2018 Annual Report

 **Ziraat Participation**
Growth through sharing



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PART I - Introduction

Our Mission and Our Vision

Our Mission

Our mission is to become a participation bank that understands the expectations and needs of its customers in the best way possible and offering most reliable solutions and value propositions through the most appropriate channel, carries out its activities with world-class sustainable profitability and efficiency being aware of principles of participation banking and ethics, facilitates access to financial services focusing onto the customer satisfaction.

Our Vision

At Ziraat Participation Bank, our vision is to become a global, reputable and leading participation bank that strengthen participation banking not only in Turkey, but in the region, constantly generates value, offers customers more the more as they share at every stage.

Our Strategies

To be an effective Participation Bank

- To allocate resources to investments that will create value with the financing it provides,
- To be fair and transparent in profit sharing,
- To create customer-centric processes in order to achieve operational excellence.

To run Participation Banking for everyone

- To be the “Moral Participation Bank” with which customers and personnel feel a sense of peace and are happy to work with or for,
- To offer services which meet universal service standards with the same high quality wherever they are,
- To manage the financing of production and trade in a manner that adds value.

To improve Participation Banking

- To integrate into the international participation banking financial architecture,
- To contribute to the development of the participation banking sector in our country,
- To be a pioneer in the participation banking sector by developing new products and services.



Corporate Profile

Ziraat Participation, which started to provide services in the field of participation banking with the principle of “Achieving More By Sharing”, was the first state-owned participation bank. Ziraat Participation continues to contribute to the national economy with its strong capital structure and balanced growth, underpinned by its sustainable profitability principles.

The mission of the development of participation banking in Turkey

Ziraat Participation, which was established with a capital of TL 675 million, started its operations on 29 May 2015 as Turkey’s first public participation bank, in order to provide financial depth and dynamism to the sector.

Growth supported by strong shareholders’ equity

In order to maintain a level of shareholders’ equity in line with its balance sheet size, the Undersecretariat to the Treasury increased the equity of Ziraat Participation by TL 500 million to TL 1,250 million. Ziraat Participation’s shareholders’ equity reached TL 1,750 million with a new TL 500 million increase in 2018.

In 2018, Ziraat Participation’s total assets increased by 55% compared to the previous year to reach TL 22 billion, with a capital adequacy ratio of 12.8%.

Joint investment model

In order to contribute to the national economy, support the development of new products needed by the participation banking sector and to produce imported products with national and domestic resources, Ziraat participation implemented the “FZK Mühendislik ve Sınai Yatırımlar A.Ş.” joint project with Fikssan Fikstür Sanayi ve Ticaret A.Ş., in the first project of its kind in the participation banking sector and in our country.

Achieving More by Sharing

Ziraat Participation continued its activities with the aim of sustainable profitability and productivity in line with the understanding of participation banking, which is summarized in the principle of “Achieving More by Sharing”, and generated a profit of TL 323 million in 2018.

A network of 80 branches and 1,042 staff

With the 17 new branches opened in Turkey in 2018, the total number of branches reached 80. Ziraat Participation continued its activities with its 1,042 personnel specialized in their fields and served its customers.

Generating synergy from its cooperation with Ziraat Bank

Ziraat Participation works in cooperation with Ziraat Bank within the framework of the correspondent agreement. The branches and ATMs of Ziraat Bank, which has the most widespread service network in the Turkish banking sector, provide Ziraat Participation customers with easy access to products and services in accordance with the principles of participation banking.

Customer-oriented alternative service channels

Ziraat Participation continues to offer high quality services to its customers from every channel with its applications in the fields of Internet Banking, Mobile Banking, Call Center and Payment Systems.

As an effective, leading and respected participation bank, Ziraat Participation will continue to move forward with determination to reach new achievements, aiming to make participation banking available for all and to advance participation banking forward in parallel with the country’s goals.



Highlights from 2018

Total Assets

TL 22,189 MN

Total Assets increased by 55% from TL 14,350 million in 2017 to TL 22,189 million in 2018.

Loans

TL 17,739 MN

The volume of loans increased by 56% during 2018, from TL 11,375 million in 2017 to TL 17,739 million.

Number of Employees

1,042

The number of employees of Ziraat Participation increased from 890 at the end of 2017 to 1,042 by the end of 2018 on the back of the ongoing growth.

Number of Branches

80

In 2018, the total number of branches reached 80 with the opening of 17 new branches in Turkey.

Internet Banking

100%

In 2018, the number of customers using internet banking increased by 100%.

Digital Products



Balance Sheet Composition



*Annual rate of change



Highlights in 2018



The FZK Introduction Ceremony

The Deputy Prime Minister, Mr. Mehmet Şimşek, the Chairman of the Board of Directors of Ziraat Bank, Mr. Muharrem Karslı, the Chairman of the Board of Directors of Ziraat Participation, Hüseyin Aydın, the Vice Chairman of the Board of Directors of Ziraat Participation, Yusuf Dağcan, the CEO, Metin Özdemir, along with members of the Board of Directors, Executive Vice Presidents, Department Heads and representatives from the banking sector and the leading economy figures attended the introduction ceremony of FZK Mühendislik ve Sınai Yatırımlar A.Ş. established by Ziraat Participation and Fikssan within the scope of the “Joint Investments Model”, in what was a first in our country and the banking sector.

Participation Banking School Graduates

Ziraat Participation produced its first graduates of its training programs, focusing on the basic values and principles that shape participation banking. The CEO, Metin Özdemir, along with Ali Kılıç from the senior management of Ziraat Bank and the Executive Vice President of Treasury and Internal Operations Osman Karakütük presented the certificates to the new graduates.



Most Innovative Participation Bank of the Year Award

Ziraat Participation received the prize for being “the Most Innovative Participation Bank of the Year” at the awards ceremony of those who add value to Turkey and the world, held in December 2018 by Turcomoney, International economics and the Finance magazine.



Alfa Awards - The Best Participation Bank of the Year Award

Ziraat Participation was selected as the Customer Brand of the Participation Banking Sector according to the results of the survey conducted face to face with 1,200 people representing Turkey in 12 provinces by Akademetre Research Company on behalf of Marketing Turkey in 2017.

Bonds & Loans Awards

Participating in the project finance syndication of the Manisa Health Campus, Ziraat Participation received second prize in the “Structured Bond Deal of the Year” and “Infrastructure Finance Deal of the Year” categories at the 2017 Bonds & Loans Awards organized by the GFC Media Group. The awards were presented to Ziraat Participation in the awards ceremony held on 15 February 2018.



Additional Service Building for the Head Office

Ziraat Participation's additional service building started its operations on 5 November 2018, bringing together the service buildings under a single roof and implementing improvements that will increase corporate synergy between the bank and its staff.

Ziraat Finance Group Vision 2019

The Ziraat Finance Group Vision 2019 meeting was held on 6-7-8 December in Antalya. The Chairman of the Board of Directors at Ziraat Participation, Hüseyin Aydın and the CEO, Metin Özdemir, along with Board Members, senior executives from the Ziraat Finance Group, Department Heads, Head Office Service Managers and Branch Managers attended the meeting where the Group's 2019 vision and goals were evaluated.





Shareholding Structure

The main shareholder of Ziraat Participation is Ziraat Bank.

Shareholder	31 December 2018	
	Paid-in Capital	Share %
T.C. Ziraat Bankası A.Ş.	1,750,000	99.99999976
Ziraat Sigorta A.Ş.	-	0.00000006
Ziraat Hayat ve Emeklilik A.Ş.	-	0.00000006
Ziraat Teknoloji A.Ş.	-	0.00000006
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.00000006
Total	1,750,000	100.00

The TL 1,750,000,000 capital of Ziraat Participation was fully provided by Undersecretariat of Treasury. Ziraat Participation's capital is divided into 1,750,000,000 shares, each valued at TL 1.00.

The Chairman and members of the Board, members of the Audit Committee, CEO and Executive Vice Presidents do not own shares.

Milestones in the History of Ziraat Participation

2015

- As the first publicly funded participation bank, the Bank began operations on 29 May 2015, in a grand opening with the participation of President Recep Tayyip Erdoğan.
- Ziraat Participation became the first participation bank to receive Participation Banking Activity Ratification Certificate approving compliance of the general framework of our operations with the Principles of Participation Banking.

2016

- Ziraat Participation proudly completed its first year, a full of firsts, with a net profit of TL 30.7 million.
- The first profit-loss sharing partnership was carried out in different sectors.
- The first Sukuk issuance was undertaken by establishing an Asset Leasing company.
- The first Murabaha Syndication took place.

2017

- Ziraat Participation continued to take firm steps on its way to reach its goals of sustainable profitability and efficiency and recorded a profit of TL 159 million.
- Ziraat Participation founded its second subsidiary ZKB Varlık Kiralama A.Ş.

- FILIKA (Limited Financing Card) has been offered to customers.
- Transition to TFRS 9 has been completed.
- A project financing transaction has been performed through "İstisna" product in the participation banking sector.
- Ziraat Participation has started the Gold Days.

2018

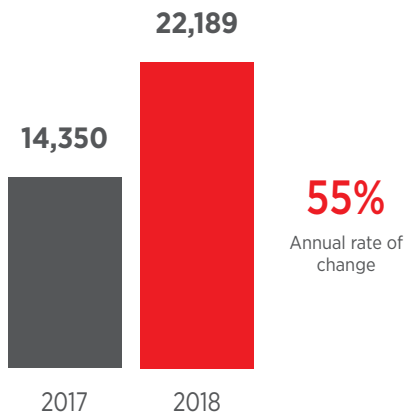
- Ziraat Participation rounded off the year 2018 with stable growth and wrote a net profit of TL 323 million.
- Ziraat Participation entered a cooperative agreement that represents a first for the banking sector and our country, with the "Joint Investments Model".
- Ziraat Participation became the first participation bank to mediate in the issuance of the Gold Lease Certificate.
- The number of branches increased to 80 branches in 41 different cities.
- Agreements were signed for the establishment of the Ziraat Participation Sudan Branch.
- The necessary permits were obtained for the transfer of Ziraat Finansal Kiralama A.Ş. to Ziraat Participation Bank.
- In accordance with the agreement made between all public banks including Ziraat Participation Bank, the "free use of a Common ATM" system was implemented with the protocol signed.



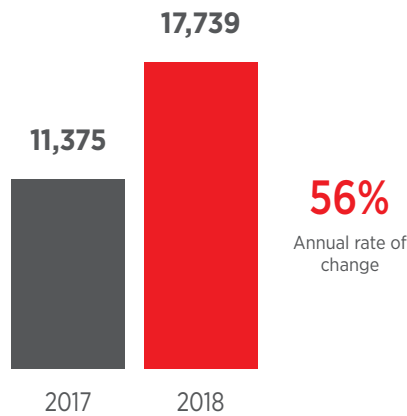
Financial Indicators

(TL Million)	2017	2018	Change (%)
Total Assets	14,350	22,189	55
Liquid Assets and Banks	1,922	2,795	45
Securities Portfolio	524	1,303	149
Loans	11,375	17,739	56
Funds Collected	10,025	15,151	51
Shareholders' Equity	1,404	2,219	58
Profit Shares Income	981	2,091	113
Profit Shares Expense	538	1,320	145
Income Before Tax	200	415	107
Net Profit/Loss	159	323	103

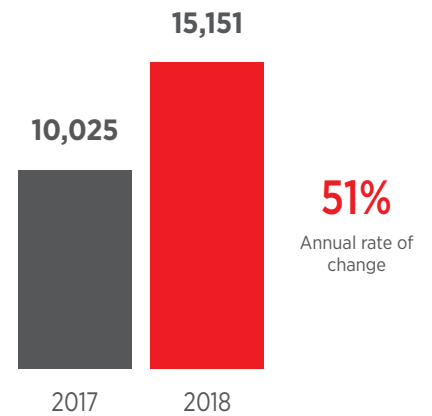
Total Assets (TL Million)



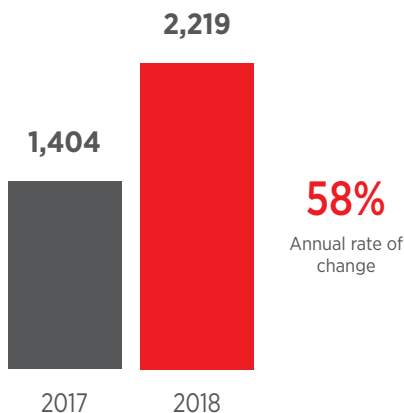
Loans (TL Million)



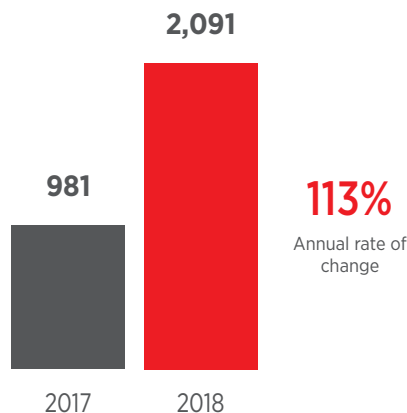
Funds Collected (TL Million)



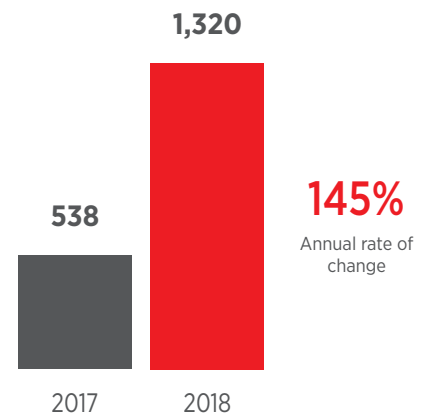
Shareholders' Equity (TL Million)



Profit Shares Income (TL Million)



Profit Shares Expense (TL Million)



**IN OUR EYES,
THIS IS A
WEAVING
WORKSHOP,
WORKING
LIKE A CHARM**







Chairman's Assessment



Turkey's first public participation bank, Ziraat Participation, aims to respond to the needs of customers in the best way possible by improving its range of products.

The year 2018 was a period in which global economic activity slowly lost momentum due to the impact of trade wars and the downward revision of growth forecasts. In a year marked by a tightening of both global and local financial conditions, the Turkish economy has also been geared towards re-balancing.

The US economy, which spearheaded growth of developed countries, left behind a year of expansionary fiscal policy, while the Federal Reserve (Fed) was supported by this positive outlook in the economy and maintained a gradual process of rate hikes. The European Central Bank, on the other hand, adopted a more moderate pace than the Fed in its steps towards normalization in its monetary policy amid the increasing risks in the Euro Zone.

Against a backdrop of mounting uncertainty, one of the main issues in 2018 was the course of global growth. With the US and China mutually taking protective steps in foreign trade, the slowdown in the Chinese economy and the course of commodity prices put downward pressure on growth in developing countries during 2018. Rising protectionism in foreign trade looks set to continue to harm both the economies of these two countries, which make up about 40% of the global economy, as well as the world economy, for some time to come.

In 2018, despite the volatility in exchange rates and the markets, the Turkish economy successfully passed yet another stress test and once again demonstrated that its economic foundations

In 2018, Ziraat Participation achieved positive results in terms of profitability, exceeding its balance sheet targets.

were sound. The balancing of the economy, a process ensured by implementing monetary and fiscal policies in a sound, timely and coordinated manner, will clearly contribute to the efforts to bring down inflation and promote financial stability. With the expectation of a lower rate of growth rate than in 2017, the growth composition shifted towards net exports with the support of global conditions.

In 2018, the Turkish banking sector continued to grow steadily with its high asset quality and strong equity structure. The impact of the financial turbulence experienced during the year on the banking sector's asset quality was limited. Despite a slight rise in financing costs, the banking sector was easily able to access capital and capital-like credit facilities, primarily syndicated loans from international markets, and use these tools effectively.

In the participation banking sector, we have identified efficient resource supply as a strategic priority. Our bank also acted as an intermediary for the sale of the gold lease certificates issued by the Ministry of Treasury and Finance. As well as increasing the share of participation banking in the banking sector, we aim to

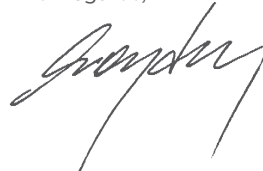
increase the market share of our country in participation banking in international markets, and to bring domestic and foreign savings into the economy.

While the asset size of the banking sector as a whole increased by 19% in 2018, participation banking grew more rapidly, with a rate of 29%, and increased its share in the sector. The share of participation banking in the sector, which had stood at 4.9% in 2017, edged up to 5.3% in 2018. Ziraat Participation recorded a 55% expansion in the volume of its assets in the same period, boosting its share in the sector and playing an active role in the growth of participation banking. Looking at the profit figures, the Bank's profit increased by 103% YoY in 2018, while the increase in profit in the participation banking sector was realized at 34% in the same period.

Ziraat Participation, the first public participation bank in Turkey, aims to respond to the needs of its customers in the best way by improving its product range. In 2018, Ziraat Participation achieved positive results in terms of profitability, exceeding its balance sheet targets. For the coming period, Ziraat Participation has adopted a principle of productivity-driven work and raising its return on equity and efficiency in the sector, while continuing to effectively expand its branch network. Our main strategy is to increase the share of participation banking in the overall financial sector, while growing faster than the overall sector.

On behalf of myself and the members of the Board of Directors, I would like to express my gratitude to all of our employees, our valued customers who have chosen to work with us, our business partners and our other stakeholders, especially our Management Team which has produced such a strong performance for Ziraat Participation in 2018.

Kind Regards,



Hüseyin AYDIN
Chairman of the Board



CEO's Assessment



In 2018, Ziraat Participation expanded its total assets by 55% when compared to the previous year and attained a balance sheet size of TL 22.2 billion.

Dear Stakeholders,

Ziraat Participation rounded off 2018 with a healthy financial performance.

In line with its vision of being the sector's leading participation bank, Ziraat Participation maintained its rapid growth and completed 2018 with a healthy performance in line with its goal of profitability and productivity.

In 2018, a year in which the effects of the volatility in domestic markets were felt, as well as the negative effects of global economic factors and geopolitical developments, Ziraat Participation achieved its goals with its well-structured strategy, flexible business model and strong financial structure.

Ziraat Participation expanded its total assets by 55% YoY in 2018 and reached a balance sheet size of TL 22.2 billion. As a result of the successful implementation of the business cycle structured with a service approach which prioritizes customer satisfaction and productivity, Ziraat Participation closed 2018 with a profit of TL 322.6 million.

Another development supporting the healthy growth in our balance sheet in 2018 was the TL 500 million contribution from the Ministry of Treasury and Finance to the capital.

Ziraat Participation continued to support the financing of the real sector in 2018, especially SMEs, which are the lifeblood of the economy.

We maintain our strong support for the real sector.

Ziraat Participation continues to work in line with its vision of becoming an effective participation bank in international markets as well as in its region by responding to the needs and expectations of its customers by providing them with the most appropriate solutions and value propositions through the most accurate channels.

Ziraat Participation continued to support the financing of the real sector in 2018, especially SMEs, which are the lifeblood of the economy.

Ziraat Participation's cash financing increased to TL 17.8 billion in 2018, marking a 52% increase when compared to the end of 2017, while non-cash financing grew by 68% to TL 10.3 billion.

While the total support extended by Ziraat Participation to the Turkish economy reached TL 28.1 billion, the share of cash financing in the balance sheet was stable at 80%.

As of the end of 2018, total current and participation accounts increased by 51% when compared to the previous year to reach TL 15.1 billion.

An approach focused on maintaining asset quality

Ziraat Participation adopted a growth strategy that aims to preserve and improve asset quality. Accordingly, the Bank's allocation and fund disbursement processes, as well its as early warning and risk monitoring infrastructure, are being developed continuously.

In line with the financing oriented growth and customer based balance sheet strategy, the funds provided in 2018 continued to grow rapidly. In this period of uncompromising execution of risk management policies, the NPL ratio was well below the sector average and was realized at 1.5%. Ziraat Participation's capital adequacy ratio stood at 12.8% in 2018.

Strong support for SMEs with the Breathing Space Loan

Ziraat Participation took an active part in the Breathing Space Loan program, which was implemented to ensure SMEs have access to financing with the most appropriate conditions.

The Breathing Space Loan, which was put into practice with the signing ceremony on 31 March 2018, was offered under the leadership of TOBB, with the contributions of the chambers and exchanges, with the guarantee of the Treasury-backed Guarantee Fund and the cooperation of six banks, including Ziraat Participation.

The scope of Breathing Space 2018 Project was aimed at providing TL 7.5 billion of financing to SMEs, and it was foreseen that 50,000 enterprises would benefit from this opportunity. The payment schedule of the Breathing Space Loan, which is prepared in a low cost and supportive manner for the real sector, was determined as an 18 month maturity with a grace period for the first 6 months (monthly profit rate paid).

Within the scope of the Breathing Space Credit program, which was completed on 4 July 2018, Ziraat Participation provided financial support to SME customers through a network of services spread throughout Turkey.



CEO's Assessment

Our new partnership FZK's main activity will be the production of domestic technological and industrial products needed by the defense industry, the automotive and railway sectors, and the mould and fixture sectors within our country's borders.

A breakthrough in the sector: The Joint Investments Model

In line with its establishment mission, Ziraat Participation also focuses on expanding the share of the participation banking sector in the overall banking market and reaching a wider audience of participation banking products and services. The development of alternative solutions and models in line with the principles of participation banking is an important objective in this respect.

In 2018, Ziraat Participation introduced the first joint investment model. In this context, FZK Mühendislik ve Sınai Yatırımlar A.Ş. was established in 50%-50% partnership with Fikssan Fikstür Sanayi ve Ticaret A.Ş., which serves both the public and private sectors in engineering and industrial fields such as the defense industry, rail systems and the automotive industry.

FZK's main activity will be the production of domestic technological and industrial products needed by the defense industry, the automotive and railway sectors, and the mould and fixture sectors within our country's borders.

This structure, where a participation bank and a manufacturing company come together on the basis of capital partnership in Turkey, is also a first in terms of our banking sector.

A step towards protecting our national resources

In 2018, Ziraat Participation collaborated with SSTEK Savunma Teknolojileri A.Ş. to support small and medium-sized domestic companies operating in Turkey and which are capable of developing technology.

Within the framework of the cooperation that envisages the establishment of a profit-loss partnership, joint investments or subsidiary model and affiliated partnerships, the Company aims

to support the defense industry's activities abroad where there are limited manufacturing facilities in Turkey, with national funds.

Ziraat Participation considers this step as an important initiative to reduce the Turkish economy's dependence on foreign resources and to provide a net contribution to the country's economy.

Common ATM cooperation with public banks

In 2018, Ziraat Participation joined the Free Common ATM System to provide a better service experience for its customers.

Within the scope of the project, which brings together Ziraat Bank, Halkbank, VakıfBank, Ziraat Participation and Vakıf Participation, transactions to withdraw and deposit funds at around 15,000 ATMs across Turkey, as well as balance inquiries, started to be offered to our customers free of charge.

Issuance of leasing certificates reaches TL 3.5 billion

Ziraat Participation successfully completed the issuance of 19 lease certificates in 2018.

Ziraat Participation, which has been active in the capital markets as part of its strategy to enrich its resource structure, and its subsidiaries Ziraat Participation Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., obtained the approval of three separate lease certificate issuance licenses from the CMB in order to issue TL denominated lease certificates in the domestic market, amounting to TL 500 million, TL 2 billion and TL 4 billion. In this context, approximately TL 3.5 billion worth of issuances were realized in various amounts of allocations in 2018.

The first participation bank to issue the gold lease certificate

While Ziraat Participation was one of the first two banks to issue the gold lease certificate, it was the first and only bank among the participation banks to offer services in this field.

The first stage of the issuance of Gold Bond / Gold Lease Certificate, which was realized by the Ministry of Treasury and Finance and aimed at bringing gold under the mattress into the economy, was completed in September 2018. Ziraat Participation and Ziraat Bank, which are assigned as intermediary banks, offered lease certificates and gold bonds to investors throughout Turkey through their branches.

In the upcoming period, Ziraat Participation will continue to mediate in the issuance of Gold Lease Certificates and provide services to investors.

Investments in digital banking continue at full pace.

In 2018, Ziraat Participation continued to invest in digital technologies in order to enable simpler and faster banking transactions for customers.

To enable our customers to carry out real-time payments on E-Commerce sites, the Payment From Account (Direct Payment) function is now available over Participation Mobile. A live response application for seamless communication, available on a 24/7 basis has been added to Participation Mobile.

In this process, in which we developed our product and service diversity in our alternative distribution channels, the number of customers actively using internet banking increased by 100% thanks to the corporate vision based on customer satisfaction. New customers gained through the web channel were able to activate their accounts through the same media channel.

Ziraat Participation is committed to developing its Internet Branch, Participation Mobile and corporate website with innovative and user-friendly features in line with customer needs and using digital channels much more actively.

Enriching our human resources with new additions

Ziraat Participation developed its most valuable asset - its human resources - with new additions in 2018.

In our rapidly growing organizational structure, in line with the needs of our branches and head office units, 218 new colleagues joined us, bringing our number of employees up to 1,042 by the end of 2018.

Another development which gave us great satisfaction in 2018 was the growth we achieved in our branch network with 17 new branches added to the Ziraat Participation branch network in 2018, taking the total number of branches to 80. During the year, the Company also moved to the Maltepe Additional Service Building in order to bring together the Head Office Units serving in different locations and to increase working efficiency.

17 new branches were added to the Ziraat Participation branch network in 2018, taking the total number of branches to 80.

Work on TFRS-9 transition completed successfully.

Within the scope of the Turkish Financial Reporting System (TFRS), the BRSA introduced new regulations on the calculation of provisions for banks.

Ziraat Participation has completed its work in this vein and prepared accounting and system infrastructure for provision calculations in accordance with the regulation on new provisions to be applied from 1 January 2018.


Warmest thanks to everyone who contributed to our success 2018.

We continue to work with dedication to increase our contribution to the real economy in line with our values and ethical principles that are reflected in our well established corporate culture.

While we continue our projects with determination, firmly adhering to our mission to expand participation banking, our ultimate goal is to increase the value of the Turkish economy and to support sustainable development in a multi-faceted manner.

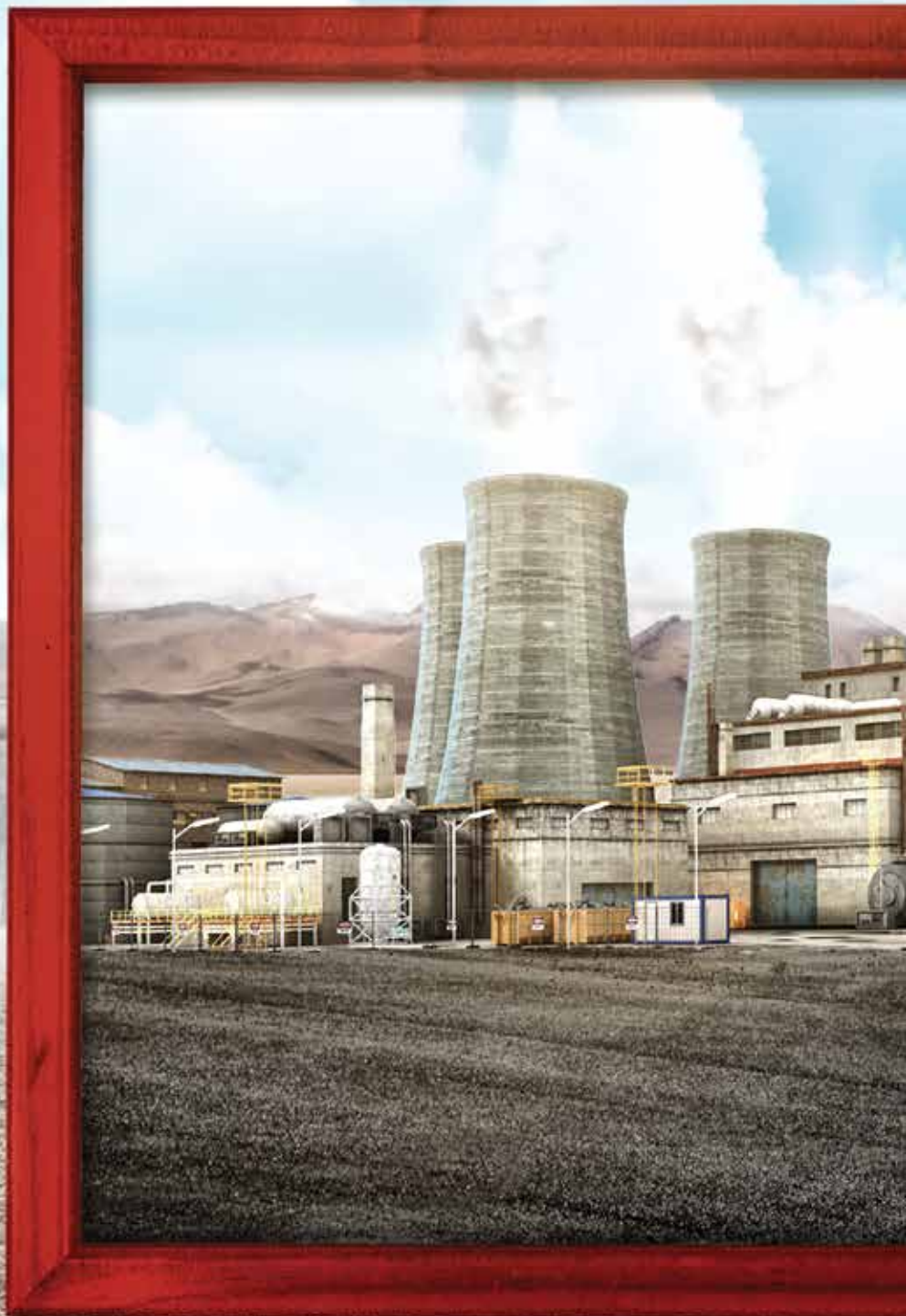
On behalf of the management team at Ziraat Participation, I would like to thank all of our stakeholders, especially our employees, who are walking with us on our way forward with determination to achieve higher targets and who have contributed so much to our successful performance.

Kind regards,



Metin ÖZDEMİR
CEO

**IN OUR EYES,
THIS IS A
PRODUCTION
FACILITY
THAT
ENERGIZES
THE ECONOMY**







Macroeconomic Outlook

In line with the expectations, the Fed continued to implement a tight monetary policy throughout 2018.

THE WORLD ECONOMY

In 2018, the Federal Reserve (Fed) announced that the recovery in the US economy was proceeding at the desired level and raised interest rates by 100 basis points. The European Central Bank (ECB) also stated that the economic strategy that had been implemented was successful and that it would wind up the quantitative easing program by the end of the year. The tight monetary policies and trade wars imposed by the central banks of developed countries adversely affected the economies of developing countries and led to a decline in the value of local currencies in these countries, and an increase in inflation and interest rates.

The year 2018 started with expectations that the US economy would continue to recover, the Fed would continue to shrink its balance sheet by increasing interest rates, the European and Japanese central banks would continue their expansionary monetary policies and growth in developing countries would gain momentum.

In line with the expectations, the Fed indeed continued to implement a tight monetary policy throughout 2018. Meanwhile, the ECB stated that its program of quantitative expansion would be wound up by the end of the year, while adding that the time was not yet right to raise interest rates. Commodity prices also increased until the last quarter of the year due to the recovery in advanced economies. This was positively reflected to the economies of commodity exporters, particularly Brazil and Russia.

On the other hand, the US started to apply the protective customs tariffs against imports from China in some sectors of European countries. The US also decided to impose harsh new sanctions on Iran. The similar reaction of other developed and developing countries, especially China, in response to the protectionist policies from the US raised the risk of escalation of a potential trade war.

In 2018, although inflation in the US remained below expectations, falling unemployment on the back of tax cuts increased confidence in the applied economic policy. In this vein, the Fed raised its interest rates with four 25 basis point hikes in a bid to maintain price stability, and it reduced its balance sheet by about US\$400 billion. Ten year bond yields, meanwhile, soared to their highest levels in the last five years.

Despite this strong trend in the US economy, the Fed's tight monetary policy and the new customs duties introduced by the US have raised the perception that growth could slow slightly in the last months of the year. As a matter of fact, after the recent rate hike in December, US stock markets suffered a heavy bout of sales. While the Fed is expected to increase interest rates by a further 25 basis points in 2019, growth and inflation data are expected to have an impact on the Fed's monetary policy.

In the first half of 2018, the recovery in the European Union's economy continued, although some economic data releases indicated a deterioration in the second half of the year, especially in the PMI and industrial production. On the other hand, while work continued in the Brexit process, the potential costs to the EU and the UK are slowly emerging.

In 2018, the ECB continued to implement an expansionary monetary policy aimed at supporting EU countries in line with market dynamics and the ECB left interest rates on hold throughout the year. The bank maintained its policy interest rate at zero, its deposit interest rate at -0.40% and its marginal funding interest rate at 0.25%.

However, the ECB announced that it had completed the bond buying program at the end of 2018. The bank pointed out that the recovery in inflation had not met expectations and that the time had not yet come to raise interest rates.

On the other hand, high unemployment rates and debt stock in many European countries are seen as severe challenges that will take a long time to resolve in the European Union.

While the tight monetary policy and trade wars implemented by the Fed in 2018 led to bouts of sales in emerging markets, these countries suffered a loss in the values of their currencies. Meanwhile with oil demand supported by renewed growth in developed countries, oil prices tested levels of over USD 80/bbl, positively affecting the economies of oil exporters.

However, fears that the Fed's tight monetary policy and trade wars would re-ignite the possibility of a recession in the global economy led to sharp declines in oil and commodity prices. It is expected that the Fed's transition to a more moderate policy stance will positively affect the economies of developing countries in the coming period.

TURKISH ECONOMY

New economy program, balanced growth

The political tensions with the USA, the rapid depreciation of the TL, geopolitical risks along our borders and higher than expected inflation all took their toll on the Turkish economy in 2018. One notable development during the year was action taken by the Central Bank of the Republic of Turkey (CBRT), to rapidly increase interest rates in order to stem the fall in the value of the TL, which brought some balance to the market.

The austerity measures taken helped restrain the surge in inflation, and inflation entered a downward trend again. Furthermore, the new economic program was prepared by taking into account the current economic situation. Thus, the prospective economic program was revised. With a combination of high interest rates and undervalued TL, Turkey once again became a center of attraction for foreign investors. In addition, the fact that domestic asset prices have declined to such low levels in foreign currency terms offers serious opportunities for foreign investors. This is expected to set the stage for significant capital inflows into Turkey in the form of asset purchases in the coming period.

In 2018, the depreciation of the TL against major currencies, including the US dollar, had a positive effect on Turkey's exports and tourism revenues. There was a noticeable improvement in the current account deficit and there has been current account surplus each month since August.

Despite the increase in oil and gas prices - Turkey's main import items - no significant increase was seen in imports in 2018. On the other hand, exports reached their highest levels in the history of the republic with export coverage reaching 95% in 2018. The improvement in the foreign trade balance is expected to continue in 2019, being reflected to the current account deficit figures.

Inflation exceeds expectations in 2018, at 20.30%.

The rapid depreciation of the TL in the third quarter of the year stood as the main factor in the rise of inflation to beyond expectations. Moreover, the high prices of some food products also proved influential in the rise of inflation. High interest rates, a recovery in the TL and stability in the economy, as well as the contribution of the base effect are expected to lead to a decline in inflation going forward.

A disciplined monetary policy approach from the CBRT

The CBRT increased interest rates in order to stem the rapid depreciation of the TL that resulted from the political tension which flared up with the USA in the third quarter of 2018. In addition, CBRT stated that it would maintain a tight monetary policy and took a number of steps to restore confidence in the market.

In 2018, due to the incentives provided to some strategic sectors and the expenditure directed to refugees, the budget deficit increased slightly when compared to previous years, but public debt has been kept low thanks to the fiscal discipline implemented. The same commitment is expected to continue in 2019 as well.

The impact of the financial turbulence experienced in Turkey in 2018 starts to recede.

In 2019, interest rates and inflation are expected to reach the targets set out in the New Economic Program. Furthermore, the emphasis on structural reforms in the coming period will support Turkey's growth by accelerating the transformation of its economy.



Evaluation of 2018: Strategies, Developments and Future Goals

Ziraat Participation will continue to step up its financing for the real sector and contributions to economic growth in the future, in line with Turkey's 2023 targets.

Ziraat Participation maintained its strong financial and operational performance in 2018, generating a profit of TL 323 million, an increase of 103% over the previous year.

In order to meet the financial needs of its customers through the right channels at the right time and with the right value proposition, Ziraat Participation has continued to be the reliable solution partner of its customers in corporate and retail banking business lines by ensuring product, service and distribution channel diversity in line with participation banking principles and by increasing service quality.

With the new products and services that will contribute to the development of participation banking, Ziraat Participation provides the most appropriate source of financing for its stakeholders and enhances its service quality day by day.

Ziraat Participation will continue to increase the support it provides in financing to the real sector and its contributions to economic growth in the future, in line with Turkey's 2023 targets.

Corporate and Entrepreneurial Banking

Contributing to the economic development of our country in accordance with the principles of participation banking, Ziraat Participation continues to create healthy and sustainable value in this area with the products it offers which meet the needs of its customers and by increasing service quality.

The SME Support Loan

Ziraat Participation rounded off a productive year achieving new customer acquisitions with the aim of increasing the share of the sector by working to meet the differentiated needs of its SME customers.

The SME Support Loan Project, which provides financing opportunities for SMEs with preferential conditions when compared to the market, has been implemented with the cooperation of Ziraat Participation and TOBB. Within the framework of this project, a monthly profit rate of 1.85% and total maturity of 18 months with a six month grace period was provided to SMEs. The SME Support Loan product, which was introduced to SMEs on 20 September 2018, currently continues to be offered to customers. By the end of 2018, more than 100 SMEs had been provided with TL 15 million of funds through this loan.

Retail Banking

Offering innovative products and services that create value for its customers in retail banking, Ziraat Participation continued to expand its active customer base in 2018 with its customer-oriented approach.

Adding 17 new branches to its service network in 2018, Ziraat Participation today offers the most appropriate solutions to meet the needs of its customers through its 80 branches, 66 ATMs, Internet and Mobile Banking applications and the Call Center.

The main activities of Ziraat Participation carried out in the field of retail banking in 2018 were as follows:

- The housing sector undertakes the task of being a driver of the economy, in terms of the employment and the sub-sectors it affects.
- In order to provide support to the housing sector, which plays such an important role in our country's economy, as well as meeting the needs and expectations of its customers in the most appropriate manner in line with the principles of participation banking, Ziraat reduced its housing financing rates from May 2018, and in the context of the campaign which continued until the end of June, more than 1,500 customers became homeowners.
- Ziraat Participation was the first participation bank to be included as an intermediary in the issuance of the Gold-based Lease Certificate to be issued by the Republic of Turkey Ministry of Treasury and Finance, in an effort to bring gold from under-the-mattress into the economic system.

- In accordance with the protocol signed between Ziraat Participation and the General Directorate of Public Accounts of the Ministry of Treasury and Finance, payments made by the taxpayers on behalf of the Ministry of Environment and Urbanization within the scope of the Zoning Law No. 3194 and the collection of payments to be made to the title deed within the scope of the same law could be carried out through the E-collection system by the Bank from 5 November 2018.
- Within the context of the correspondent banking project, anyone could become a Ziraat Participation customer simply by opening a Ziraat Participation account through any Ziraat Bank branch, and apply for a Ziraat Participation Debit Card.

Digital Banking

Aiming to provide high level of satisfaction to its customers, Ziraat Participation has expanded its branch network and alternative service channels in 2018 and adopted a fast, multi-channel access based approach to products and services, and has achieved significant progress towards its target of development of digital service channels.

In 2018, the following steps were realized in this field:

ATMs

- As of the end of 2018, the number of active Ziraat Participation Bank ATMs increased by 20% compared to the previous year, to reach 66.
- A card copying security application is used in all ATMs in order to protect customers from ATM fraud.
- Non-bank customers are provided with English, German, Arabic and Russian language options.
- An audio menu for visually impaired customers was put in place in all ATMs, and the Orthopedic Disabled ATM at the Bursa Branch and the IZU Halkalı ATMs were installed and brought into use.
- Depositing money into accounts, credit card debt payments, credit card debt and limit inquiry functions were added to the ATM joint transaction menu.
- With the protocols signed with Ziraat Bank, Halkbank, VakıfBank and Vakıf Participation Bank, the “Free joint ATM usage” project has been implemented and the transactions of withdrawals, deposits to the account and balance inquiries could be carried out from around 15,000 ATMs throughout Turkey in order to ensure that customers enjoy easy access to banking services.

In 2018, Ziraat Participation expanded its branch network and alternative service channels while advancing its fast and multi-channel access to products and services approach further, and has achieved significant progress in the development of digital service channels.

A total of 2,349,348 transactions were realized in 2018 at the 66 ATM units, with TL 820 million in transaction volumes, an increase of 58% compared to the previous year.

Customer Contact Center and Solution Support Center

- In 2018, a total of 413,363 calls were made to the Customer Response Center’s voice response system, and 207,669 calls were received by customer representatives
- The service level of the Customer Contact Center was 88.46% (target; 80%) and the call coverage ratio was 97.36% (target; 98%).
- A total of 60,710 outbound calls were made from the Customer Contact Center.
- A total of 208,894 informative SMS texts and 469,828 informative e-mails were sent from the Customer Contact Center.
- The Solution Support Center received 31,009 customer calls.
- 42,773 outbound calls were made from the Solution Support Center.
- In order to obtain the contracts of customers applying from the website without them having to go to the branch, the decision was taken to work with the Telekurye company, and a contract was signed.



Evaluation of 2018: Strategies, Developments and Future Goals

The number of Ziraat Participation Internet Banking members surged by 105% in 2018 to reach 242,000.

- The Live Response app was integrated with the Participation Mobile app to allow all customers to communicate with their customer representatives.
- In order to increase the performance of the Customer Communication Center, improve operational processes and evaluate the customer experience, Interview Analysis project studies started to analyze interviews conducted with customers.
- As of September 2018, the Bank's call center operation started to be executed by Ziraat Bank, providing services at Ziraat Bank's Samsun site.

Internet Banking

- Ziraat Participation's Internet Banking transaction functions were expanded so customers could perform all of their banking transactions through the branchless channel.
- In 2018, the number of Internet Banking and Participation Mobile customers, and the number of transactions, more than doubled.
- At the end of the last quarter of 2018, efforts were taken to align the Internet branch with mobile devices in order to enhance customer experience.
- The corporate website will be renewed in 2019 with an innovative and user-friendly design.

In 2018, the number of Ziraat Participation Internet Banking members reached 242,000, marking an increase of 105%. The number of transactions conducted over the Internet Banking channel reached 624,000, increasing by 23% compared to 2017.

Mobile Banking

- Customers were offered the option of direct payment (via account) via Participation Mobile on e-commerce sites.
- The Participation Mobile application reached 300,000 downloads by the end of 2018.
- A Live Response function was added to the Participation Mobile application, providing instant written communication between customers and customer representatives.

- In 2019, in line with the demands and expectations of corporate customers, the transaction functions of the Participation Mobile corporate application will be expanded.
- In the context of digital marketing activities, the Company begun to update customers about campaigns, innovations and news through the mobile application.
- As an alternative to logging in over the Participation Mobile application with a code sent through SMS, efforts are being made to enable customers to login with a single password. The single password login feature will be available to customers in the first months of 2019.

Customer Satisfaction

Ziraat Participation, which adopts a customer-centric service approach and continuously strives to increase customer satisfaction, conducts workshops with the units to produce permanent solutions to deal with common complaints from customers. In addition, the Satisfied Customer Line was put into service.

By the end of November 2018, a total of 4,916 notifications were resolved by the Customer Satisfaction Unit. The average resolution period for complaint notifications was 1.74 days and the average resolution period for the complaints was 3.23 days.

The ISO 10002: 2014 Customer Satisfaction Management Quality Certificate, which was received in the first year of the Bank's establishment and indicates that customer notifications were answered to a high standard of quality and were undergoing continuous development according to international standards, was renewed in 2018.

In accordance with the customer-oriented business discipline, Ziraat Participation winds up the complaint responses within the SLA period. The average response rate of banks in the sector is between 5-7 business days; Ziraat Participation is one of the fastest banks in this field.

Treasury Management and International Banking

Ziraat Participation expanded its asset size by more than 50% in 2018, in line with the real sector and foreign trade financing strategy, while pursuing a strategy to finance the real sector and foreign trade.

Ziraat Participation pressed ahead with its resource diversification in asset liability management with the main resource being participation funds, and it established a liability base of the balance sheet taking into consideration optimum cost and term. The Bank adopted a strategy of effectively managing the pools of participation funds. In this context, Ziraat Participation expanded its resource opportunities from local and international banks in TL and foreign currency in 2018.

Ziraat Participation has effectively deployed interbank borrowing and financing products to fulfill the required reserve liability and to meet its liquidity needs in line with the principles of participation banking, and to assess the surplus and fulfillment of reserve requirements.

Correspondent Relations

In 2018 Ziraat Participation established a swift correspondent relationship with a significant number of banks by completing the legislative compliance processes and quickly met the requests in the foreign trade field.

In 2018, Ziraat Participation signed an additional Euro correspondent account with correspondent banks and reached 39 different correspondent accounts in 10 different currencies and signed mutual wakala / murabaha contracts with a number of banks. Within the framework of these contracts, foreign resources were provided with the aim of widening the diversity of the resources with interbank Murabaha and Wakala transactions.

Ziraat Participation, which plays an active role in the capital markets as a part of its strategy to enrich the resource structure, obtained issuance approval with ceilings of TL 500 million, TL 2 billion and TL 4 billion from the Capital Markets Board to issue three separate TL denominated lease certificates in the local market with its affiliates, Ziraat Katılım Varlık Kiralama and ZKB Varlık Kiralama. Within this framework, issuances were made in different amounts with a total of TL 3.5 billion.

In 2018, Ziraat Participation continued to provide long term resources from the World Bank and various other development banks, for financing SMEs and foreign trade financing and to maintain its financing support for SMEs and the real sector.

Ziraat Participation aims to complete the following steps in 2019:

- Significantly increase the number of correspondent banks and the level of foreign trade volume,
- Use a murabaha syndicated loan with the participation of international banks,
- Continue issuing lease certificates in the domestic markets,
- Add depth to the capital markets by carrying out corporate lease certificate issuances in favor of third parties other than Ziraat Participation, through the newly established asset leasing company,
- Provide increasing support to the real sector by maintaining a supply of resources from international institutions for the financing of SMEs and foreign trade,
- Mediate new transactions within the scope of country loans.

Operational Transactions

In 2018, Ziraat Participation implemented an array of operational measures in order to contribute to operational efficiency and to facilitate and accelerate the process of the participation banking product and service offering.

- The manual follow-up process of the foreclosure documents communicated to the Bank through the Registered Electronic Mail was abandoned, and the documents received as a result of the integration were automatically transferred to the main banking system. The automation of this process, which had consumed around 20% of work time, achieved a combination of time savings and minimized operational risk resulting from carelessness.
- Through the identity sharing system, collective inquiries have been carried out periodically for existing customers, ensuring that up-to-date information was transferred to the bank system by determining the persons whose information had changed for reasons such as divorce, name change and address change (ADNKS address).
- Within the scope of the Privacy Act, required screen improvements were completed and the process of selecting the customer preferences regarding the Privacy Act during the account opening process and recording it on the customer slip was completed.
- In the EBA correspondence application, the Official Correspondence module was put into practice. Incoming articles were sent to the addressees through the Official Correspondence module instead of by mail.



Evaluation of 2018: Strategies, Developments and Future Goals

Ziraat Participation, which aims to improve its customer experience in the field of information technologies and thus increase productivity, quality and speed, has achieved significant progress by integrating the innovation and change management required in the current era with its systems and processes.

- In order to prioritize the disabled customers in Siramatik, the development was completed and brought to the real environment.

Information Technologies

Ziraat Participation, which aims to improve customer experience in the field of information technologies and thus increase productivity, quality and speed, has achieved significant progress by integrating the innovation and change management demanded by the current era with its systems and processes.

Ziraat Participation maintained its efforts to raise awareness within the scope of information security activities and achieved significant gains in 2018.

- In order to prevent IT infrastructure from being put at risk by external systems, work has been completed for the secure site audit application.
- Endpoint threat, detection and intervention system (EDR) dissemination work has been completed.
- Work on the necessary controls within the scope of Swift CSP (customer safety program), and the corporate systems of regulations have been completed.

Ziraat Participation has made significant progress with the technology and modernization of infrastructure.

- The project of bringing the Virtual Desktop Infrastructure (VDI) into service for employees of third party solution providers and the Call Center has been completed.
- The project to switch from existing foreign-based products to the open source Zabbix application as the 24/7 system monitoring infrastructure was completed.

- Applications for external secure file exchange (ZKDrive) for Virtual Systems monitoring and reporting (vROPS), virtual systems centralized log collection and analysis (Log Insight) and for virtual systems network analysis and monitoring (VRNI) were completed and implemented.
- The project to provide console access for remote support to the Data Center Network and Security Devices was completed.
- The branch network structure was made more efficient by using the LTE (mobile data) system
- The physical backup of the data center fiber-optic lines was completed.
- The missed call management system was brought into operation.
- Work on the infrastructure service to allow analysis of network traffic has been completed
- The Emergency Center Business Unit tests, which should be carried out at least once a year, have been completed.
- The security infrastructure project for ATM devices has been completed.

Ziraat Participation has also achieved significant progress within the scope of implementation development activities.

- Efforts were initiated to develop the main banking software with internal resources, and many projects have been developed with internal resources, thus contributing significantly to speed and efficiency.
- An important step has been taken in the transformation process of the main banking application to the independent operating system, with the work aimed to be completed in 2019.
- Omni Channel Infrastructure, Mobile Application and Internet Branch started to be operated and developed with internal resources.
- The Participation Mobile Direct Payment Infrastructure (Company) project was completed.
- Soft OTP transformation studies, which are being held up as a way of eliminating the need for an SMS to be sent as the secondary verification method, were completed and pilot studies got underway
- The Performance Management project for the branches was completed.
- Customer and Product Activity Project work was completed.



Human Resources

In line with its targets of sustainable development and growth, Ziraat Participation continued to provide effective services to its customers, with 1,042 employees and 80 branches as of the end of 2018.

In line with its strategies and targets, Ziraat Participation's practices in the field of human resources are focused on creating a happy and productive work environment and contributing to the development of employees' performance by guiding employees in partnership with their units and branches.

In line with its sustainable development and growth targets, Ziraat Participation continues to provide effective services to its customers, with 1,042 employees and 80 branches as of the end of 2018.

Ziraat Participation continued to support job creation by recruiting 218 employees in 2018 through competency-based and transparent recruitment processes.

Along with modern human resources practices, the Bank has switched to an online evaluation system in order to conduct competency-based interviews in the recruitment processes.

Having adopted the principle of offering equal opportunities to its employees, Ziraat Participation has prioritized raising the managers of the future from its in-house human resources. The Executive Assessment Program was initiated for this purpose.

In 2018, Ziraat Participation realized a professional-title promotion examination in collaboration with the Sabahattin Zaim University and the staff that was successful has been promoted to a higher title.

80 new assistant specialists

In order to strengthen its young dynamic personnel structure and to bring young professionals into the banking industry, two nationwide assistant specialist exams were organized with the support of Anadolu University. The recruitment processes of 80 candidates who were successful in the exam and interview were completed and they were employed at the Bank.

In accordance with the Occupational Health and Safety Law No. 6331 and Emergency Situations in the Workplaces, the Emergency Case drills were carried out with the support of the Occupational Health and Safety professionals and with the participation of the staff from the Head Office.

Managers of 12 branches appointed internally.

With an awareness of the major role to be played by human resources in achieving a sustainable performance in its growth strategy, Ziraat Participation adopts the principle of retaining its employees by investing in them and preparing them for managerial positions. In this context, 12 branch managers were appointed in 17 branches in 2018, with the appointments made internally.

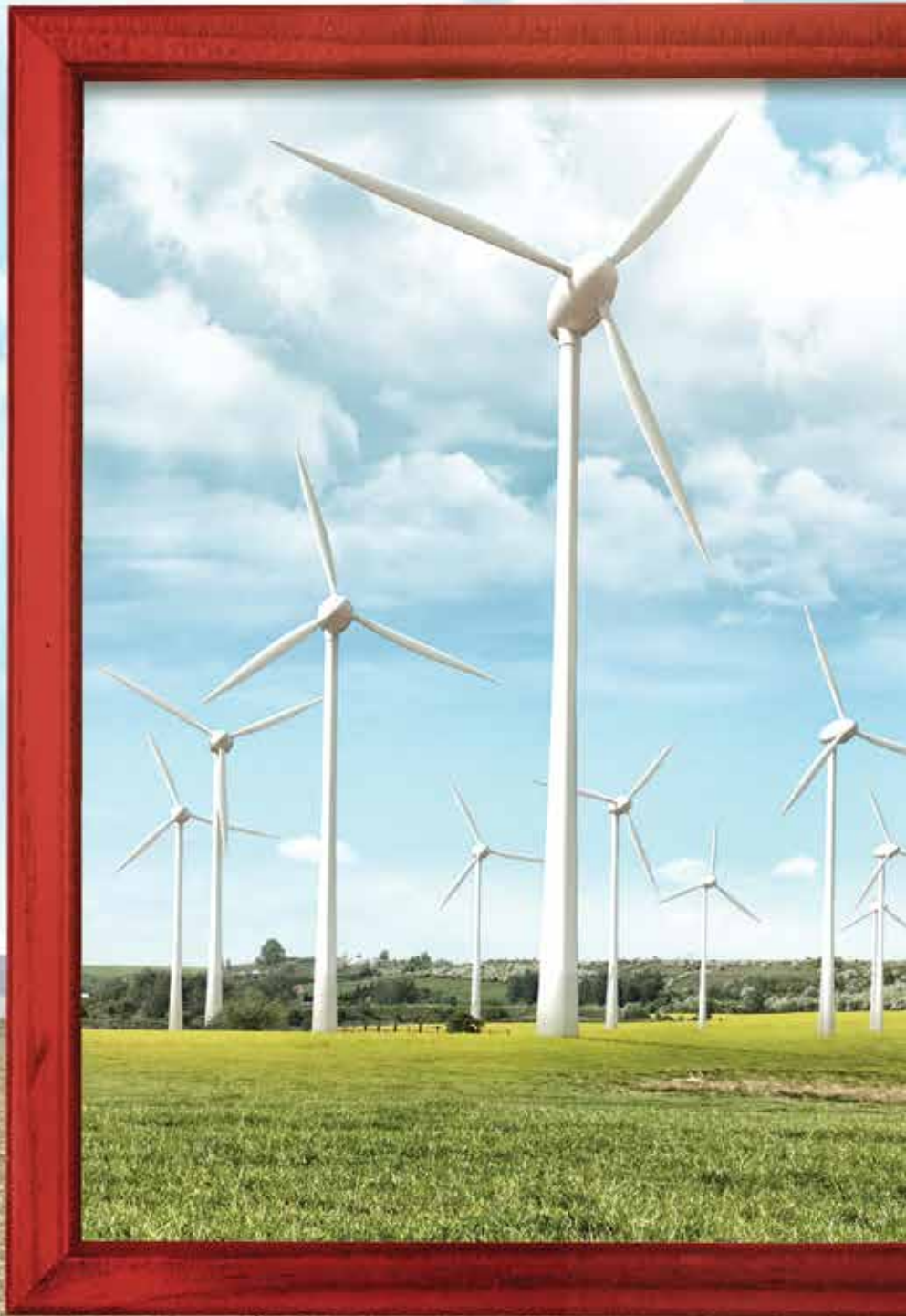
Ziraat Participation manages the professional development of its employees in a planned manner.

Ziraat Participation manages the professional development of its employees in a planned manner. In order to achieve this and advance their academic careers as well as their personal development, the Bank has cooperated with distinguished universities.

In-house and external training programs continued to be provided in 2018 to support the development of employees, particularly with respect to certificate programs on the Islamic Economy and Participation Banking, to help employees properly understand participation banking.

Ziraat Participation provided a total of 6339 days/man training to 973 staff in 2018 with 62 different training programs.

**IN OUR VIEW,
THIS IS A
CENTER OF
ENERGY THAT
COMBINES
LABOR WITH
TECHNOLOGY**







Affiliates

Ziraat Participation's First Partnership

Ziraat Katılım Varlık Kiralama A.Ş., which was Ziraat Participation's first partnership with a subsidiary status, was established on 22 January 2016 with a capital of TL 50,000.

Ziraat Katılım Varlık Kiralama A.Ş.

Ziraat Katılım Varlık Kiralama A.Ş. was established on 22 January 2016 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Market Board (CMB) to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, İstanbul.

As of 31 December 2018, the company had no personnel.

Lease certificates with TL 175,000,000 nominal value, 91 day term, redemption date of 11 January 2019 and ISIN code "TRDZKVK11918" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 12 October 2018 with the approval of General Directorate of Stock Exchange dated 19 March 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 16 October 2018.

Lease certificates with TL 165,000,000 nominal value, 92 day term, redemption date of 25 January 2019 and ISIN code "TRDZKVK11926" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 25 October 2018 with the approval of General Directorate of Stock Exchange dated 19 March 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 30 October 2018.

Lease certificates with TL 300,000,000 nominal value, 91 day term, redemption date of 15 February 2019 and ISIN code "TRDZKVK21917" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 16 November 2018 with the approval of General Directorate of Stock Exchange dated 14 November 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 20 November 2018.

Lease certificates with TL 400,000,000 nominal value, 92 day term, redemption date of 8 March 2019 and ISIN code "TRDZKVK31916" were issued by Ziraat Katılım Varlık Kiralama A.Ş.

on 6 December 2018 with the approval of General Directorate of Stock Exchange dated 14 November 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 10 December 2018.

Lease certificates with TL 200,000,000 nominal value, 94 day term, redemption date of 25 March 2019 and ISIN code "TRDZKVK31924" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 21 December 2018 with the approval of General Directorate of Stock Exchange dated 14 November 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 21 December 2018.

Payments of redemption of TL 150,000,000 and coupon payments of TL 6,986,294.81 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 4 July 2018 with TL 150,000,000 nominal value, 100 day term, redemption date of 12 October 2018 and ISIN code "TRDZKVK1817" have been completed on 12 October 2018.

Payments of redemption of TL 150,000,000 and coupon payments of TL 7,367,459.80 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 16 July 2018 with TL 150,000,000 nominal value, 101 day term, redemption date of 25 October 2018 and ISIN code "TRDZKVK1825" have been completed on 25 October 2018.

Payments of redemption of TL 160,000,000 and coupon payments of TL 7,839,999.92 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 10 August 2018 with TL 160,000,000 nominal value, 98 day term, redemption date of 16 November 2018 and ISIN code "TRDZKVK1819" have been completed on 16 November 2018.

Payments of redemption of TL 250,000,000 and coupon payments of TL 13,068,499.93 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 7 September 2018 with TL 250,000,000 nominal value, 90 day term, redemption date of 6 December 2018 and ISIN code "TRDZKVK1829" have been completed on 6 December 2018.

Payments of redemption of TL 175,000,000 and coupon payments of TL 11,247,949.90 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 20 September 2018 with TL 175,000,000 nominal value, 92 day term, redemption date of 21 December 2018 and ISIN code "TRDZKVK1837" have been completed on 21 December 2018.

ISIN Code of Lease Certificate	TRDZKVK11918
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 175,000,000
Nominal Value of Sale	TL 175,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	11 January 2019 - 91 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 26.00%, annual compound rate 28.64937%, return rate 6.48219%

ISIN Code of Lease Certificate	TRDZKVK11926
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 165,000,000
Nominal Value of Sale	TL 165,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	25 January 2019 - 92 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 25.50%, annual compound rate 28.03585%, return rate 6.42740%

ISIN Code of Lease Certificate	TRDZKVK21917
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 300,000,000
Nominal Value of Sale	TL 300,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	15 February 2019 - 91 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 24.20%, annual compound rate 26.54807%, return rate 6.04589%

ISIN Code of Lease Certificate	TRDZKVK31916
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 400,000,000
Nominal Value of Sale	TL 400,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	8 March 2019 - 92 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 23.35%, annual compound rate 25.46880%, return rate 5.88548%



Affiliates

ISIN Code of Lease Certificate	TRDZKVK31924
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 200,000,000
Nominal Value of Sale	TL 200,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	25 March 2019 - 94 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 23.00%, annual compound rate 25.03779%, return rate 5.92329%

ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama A.Ş., which is Ziraat Participation's second partnership with a subsidiary status, was established on 8 September 2017 with a capital of TL 50,000.

ZKB Varlık Kiralama A.Ş. was established on 8 September 2017 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Market Board (CMB) to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, Istanbul.

As of 31 December 2018, the company had no personnel.

Lease certificates with TL 100,000,000 nominal value, 98 day term, redemption date of 3 April 2019 and ISIN code "TRDZKBV41914" were issued by ZKB Varlık Kiralama A.Ş. on 26 December 2018 with the approval of General Directorate of Stock Exchange dated 12 December 2018 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 28 December 2018.

ISIN Code of Lease Certificate	TRDZKBV41914
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 100,000,000
Nominal Value of Sale	TL 100,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	3 April 2019 - 98 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual simple rate 22.25%, annual compound rate 24.12356%, return rate 5.97397%



Changes in the Articles of Association in 2018

Pursuant to a resolution passed at the extraordinary general assembly of Ziraat Participation Bank held on 20 September 2018, the Bank's paid-in capital was increased to TL 1,750,000,000 by means of a cash injection in the amount of TL 500,000,000 which was provided by the Treasury Undersecretariat. This increase was registered on 22 October 2018 and the section of the Bank's articles of association concerning this action was revised as indicated below.

DRAFT AMENDMENT SHOWING THE OLD AND NEW FORMS OF THE SECTIONS OF ZİRAAT KATILIM BANKASI A.Ş.'S ARTICLES OF ASSOCIATION THAT ARE TO BE CHANGED

OLD VERSION	NEW VERSION																																																								
Article 6	Article 6																																																								
The nominal value of the Company's capital is TL 1,250,000,000.00. This capital is divided into 1,250,000,000 shares, each of which has a par value of one Turkish lira.	The nominal value of the Company's capital is TL 1,750,000,000.00. This capital is divided into 1,750,000,000 shares, each of which has a par value of one Turkish lira.																																																								
The entire TL 747,000,000.00 of the previous capital was paid in cash in a manner free from collusion and unlawful conduct.	The entire TL 1,250,000,000.00 of the previous capital was paid in cash in a manner free from collusion and unlawful conduct.																																																								
The entire TL 500,000,000 cash increase was subscribed to by T.C. Ziraat Bankası A.Ş. and was paid before the date of its registration. TL 3,000,000 of the increase was provided from internal sources.	TL 500,000,000 cash increase was subscribed to by T.C. Ziraat Bankası A.Ş. and was paid before the date of its registration.																																																								
The bank's ownership structure is as follows:	The bank's ownership structure is as follows:																																																								
Share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code and of other applicable laws, regulations, and administrative provisions.	Share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code, Banking Law and of other applicable laws, regulations, and administrative provisions.																																																								
Shares are registered in the name of their bearers.	Shares are registered in the name of their bearers.																																																								
<table border="1"> <thead> <tr> <th>Name Surname/ Corporate Title</th> <th>Share Amount (TL)</th> <th>Share %</th> <th># Shares</th> </tr> </thead> <tbody> <tr> <td>T.C. Ziraat Bankası A.Ş.</td> <td>1,249,999,996</td> <td>99,99999968</td> <td>1,249,999,996</td> </tr> <tr> <td>Ziraat Sigorta A.Ş.</td> <td>1</td> <td>0,0000008</td> <td>1</td> </tr> <tr> <td>Ziraat Hayat ve Emeklilik A.Ş.</td> <td>1</td> <td>0,0000008</td> <td>1</td> </tr> <tr> <td>Ziraat Teknoloji A.Ş.</td> <td>1</td> <td>0,0000008</td> <td>1</td> </tr> <tr> <td>Ziraat Yatırım Menkul Değerler A.Ş.</td> <td>1</td> <td>0,0000008</td> <td>1</td> </tr> <tr> <td>Total</td> <td>1,250,000,000</td> <td>100</td> <td>1,250,000,000</td> </tr> </tbody> </table>	Name Surname/ Corporate Title	Share Amount (TL)	Share %	# Shares	T.C. Ziraat Bankası A.Ş.	1,249,999,996	99,99999968	1,249,999,996	Ziraat Sigorta A.Ş.	1	0,0000008	1	Ziraat Hayat ve Emeklilik A.Ş.	1	0,0000008	1	Ziraat Teknoloji A.Ş.	1	0,0000008	1	Ziraat Yatırım Menkul Değerler A.Ş.	1	0,0000008	1	Total	1,250,000,000	100	1,250,000,000	<table border="1"> <thead> <tr> <th>Name Surname/ Corporate Title</th> <th>Share Amount (TL)</th> <th>Share %</th> <th># Shares</th> </tr> </thead> <tbody> <tr> <td>T.C. Ziraat Bankası A.Ş.</td> <td>1,749,999,996</td> <td>99,99999976</td> <td>1,749,999,996</td> </tr> <tr> <td>Ziraat Sigorta A.Ş.</td> <td>1</td> <td>0,00000006</td> <td>1</td> </tr> <tr> <td>Ziraat Hayat ve Emeklilik A.Ş.</td> <td>1</td> <td>0,00000006</td> <td>1</td> </tr> <tr> <td>Ziraat Teknoloji A.Ş.</td> <td>1</td> <td>0,00000006</td> <td>1</td> </tr> <tr> <td>Ziraat Yatırım Menkul Değerler A.Ş.</td> <td>1</td> <td>0,00000006</td> <td>1</td> </tr> <tr> <td>Total</td> <td>1,750,000,000</td> <td>100</td> <td>1,750,000,000</td> </tr> </tbody> </table>	Name Surname/ Corporate Title	Share Amount (TL)	Share %	# Shares	T.C. Ziraat Bankası A.Ş.	1,749,999,996	99,99999976	1,749,999,996	Ziraat Sigorta A.Ş.	1	0,00000006	1	Ziraat Hayat ve Emeklilik A.Ş.	1	0,00000006	1	Ziraat Teknoloji A.Ş.	1	0,00000006	1	Ziraat Yatırım Menkul Değerler A.Ş.	1	0,00000006	1	Total	1,750,000,000	100	1,750,000,000
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The Report on Compliance of Annual Report



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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www.kpmg.com.tr

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

To the General Assembly of Ziraat Katılım Bankası A.Ş.

Qualified Opinion

We have audited the annual report of Ziraat Katılım Bankası A.Ş. ("the Bank") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set financial statements for this period.

In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of Independent Auditor's Reports dated 18 February 2019 the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Qualified Opinion

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated 18 February 2019; the complete set of consolidated financial statements of the Bank as at 31 December 2018 include a general provision of total of TL 30.000 thousands had been recognised as expense in current period, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.

We conducted our audit in accordance with "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by Banking Regulation and Supervision Agency ("BRSA Auditing Regulation") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed a qualified opinion on the complete set of consolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 on 18 February 2019.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated financial statements. The annual report shall also clearly indicate the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Bank's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.


When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent with the audited consolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative


Ercal Trımalık SMMM
Partner 923
18 February 2019
Istanbul, Turkey

**IN OUR EYES,
THIS IS
A GARDEN OF
ABUNDANCE
WITH FRUIT IN
EVERY
CORNER.**





PART II - Management and Corporate Governance Practices

Ziraat Participation Board of Directors



Hüseyin AYDIN

Chairman of the Board of Directors

Hüseyin Aydın graduated from the Faculty Economics, Ankara Economics and Business Sciences Academy in 1981. He began his career as an assistant inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board Member at Halkbank, as a Board Member at Pamukbank and as Vice Chairman at Ziraat Bank, he served as Chief Executive of Halkbank between 31 May 2005 - 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey. Hüseyin Aydın is assigned as the Chairman of the Board of Directors of our Bank since 18 February 2015.



Yusuf DAĞCAN

Vice Chairman of the Board of Directors

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an Assistant Inspector, Inspector and Branch Manager at VakıfBank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the Chairman of the Board of Directors of Halk Leasing, a Board Member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Continuing his works as Vice President of the Board of Ziraat Bank since April 2012, Yusuf Dağcan is also a Credit Committee Member of Ziraat Bank and Supervisory Board Member at Ziraat Bank Bosnia d.d. Since 18 February 2015, Yusuf Dağcan has been serving as the Vice Chairman of the Board of Directors and Chairman of Credit Committee at our Bank.



Metin ÖZDEMİR

Member of the Board of Directors, CEO

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004 and 2014. Mr. Özdemir was a member of the Board of Directors of Ziraat Participation since 18 February 2015 and was appointed as the CEO on 12 June 2017. Mr. Özdemir is a member of the Ziraat Bank's Board of Directors and acts as a member of Corporate Governance Committee and Remuneration Committee. Since 25 July 2017, he also acts as the Chairman of the Credit Committee. Mr. Özdemir is also the Chairman of Participation Banks Association of Turkey (TKBB) and Chairman of the Board of Directors of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI).



Cemalettin BAŞLI

Member of the Board of Directors

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority in 1977. Mr. Başlı who worked as Assistant to Financial analyst at VakıfBank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finance between 1998-2002, as Deputy General Manager at Haliç Financial Leasing between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 serves as a Member of the Board of Ziraat Bank since June 2014. Since 18 February 2015, Cemalettin Başlı has been a Member of the Board of Directors, Audit Committee and Credit Committee at our Bank.



Feyzi ÇUTUR

Member of the Board of Directors

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. He completed his postgraduate degree at Beykent University, Department of Business Administration of Social Sciences Institution in 2016. He has obtained TÜRMÖB Independent Accountant and Financial Advisor and KGK Independent Auditor certificates. After working in managerial positions at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager, Deputy General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board Member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board Member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Ziraat Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Ziraat Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is currently working as a Member of the Board, Credit Committee and Audit Committee member at Ziraat Participation and as a Member of the Board at Ziraat Bank BH d.d.



Salim ALKAN

Member of the Board of Directors

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2005 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler A.Ş. Serving as a member of the Ziraat Bank's Board of Directors starting from April 2012, he is also Chairman of the Supervisory Board in Ziraat Bank BH d.d. and a member of the Ziraat Bank's Credit Committee. Since 18 February 2015, Salim Alkan has been serving as a member of the Board of Directors, Corporate Governance and Remuneration Committees; also he is a substitute member of Credit Committee at our Bank.



Ziraat Participation Senior Management



Mehmet Said GÜL

Executive Vice President-Information Technologies and Operations

Born in 1973 in Kahramanmaraş, Mehmet Said Gül graduated from Hacettepe University Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans Kurumu in 1997. He headed for many years the Information Systems Coordination Unit at Türkiye Finans, following the merger of Family Finans and Anadolu Finans. Mr. Gül, who was appointed as a consultant at Ziraat Bank in 2014, has been serving since the establishment of Ziraat Participation. In October 2015, he was appointed as the Group Director of the Operational Transaction at Ziraat Participation. Since 23 August 2017 Mr. Gül is the Executive Vice President in charge of Information Technologies and Operations.



Osman KARAKÜTÜK

Executive Vice President-Treasury and Internal Operations

Born in Ankara in 1975, Osman Karakütük graduated from Ankara University Faculty of Political Science. He completed his undergraduate studies in Sakarya University and started his banking career at CBRT Headquarters as a clerk in 1998. In 1999, he started working at Ziraat Bank as an Assistant Inspector and then promoted to Inspector, Chief Inspector, Vice President of the Inspection Board, Branch Manager, İzmir 1st Region Manager, Head of Branch Operations and Head of Channel Management, respectively. Mr. Karakütük was appointed as Ziraat Participation Vice President in charge of Financial Coordination and Human Resources on 15 August 2017 and he has been serving as the Vice President in charge of Treasury and Internal Operations since 24 August 2017.

**Tahir DEMİRKIRAN**

Executive Vice President-Loan Allocation and Management

Born in 1967 in İstanbul, Tahir Demirkıran graduated from İstanbul University Faculty of Economics, Department of Economics. Mr. Demirkıran started working in Vestel Paz. A.Ş. as a Sales Representative in 1991. He was appointed as a Manager in Pamukbank in 1995. Mr. Demirkıran served in positions at Halkbank and Ziraat Bank as the Head of various departments between 2004 and 2016. He was appointed as Executive Vice President responsible for Loan Allocation and Management in Ziraat Participation on 12 February 2016 and is still carrying out the duty.

**Temel Tayyar YEŞİL**

Executive Vice President-Marketing

Temel Tayyar Yeşil was born in Samsun in 1971 and graduated from Erciyes University Economy department of Faculty of Economics and Administrative Sciences. Mr. Yeşil started his banking career at Pamukbank T.A.Ş. as Assistant Specialist in 1998. He worked as an officer and manager in the Loans and Project Evaluation departments of Halkbank. He acted as Kayseri Commercial Branch Manager between 2010 and 2012. Mr. Yeşil started to work at Ziraat Bank as Loan Allocation and Management Department Head in 2012 and continued as the Regional Coordinator in 2016. He has been appointed as Ziraat Participation Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.



Summary Report by the Board of Directors

We leave behind a year marked by important geopolitical and economic developments in the world and in our region. The world economy, which had followed a somewhat weak growth trend in recent years, posted a recovery in 2018, spearheaded by developed countries.

Turkey's economy, after having achieved 7.4% growth in 2017, experienced a decline in its growth in 2018 as a result of the economic attacks it was exposed to, and which have no relation to the macroeconomic reality, as well as regional political tensions. On the other hand, Turkey succeeded in overcoming the financial volatility with its dynamic and sound financial infrastructure and proactive measures taken at the right times. By overcoming the volatilities in exchange rates, imposing tight fiscal discipline, offering employment incentives, injecting confidence in the market in line with the recommendations of the Banks Association of Turkey and by adopting and internalizing these practices throughout the economy, calm was restored to the economy, which stabilized. Ziraat Participation has fulfilled its mission in the economy, and continued to support the real sector and stand by its customers.

Ziraat Participation is the first publicly-owned participation bank to start participation banking operations in line with the principle of More When Shared (Paylaştıkça Daha Fazlası). Ziraat Participation continues to contribute to the national economy with its strong capital structure and in line with the balanced growth and sustainable profitability principles. Working to bring dynamism and depth to the sector, it meets the needs of its customers with its products in accordance with the principles of Islamic banking.

Ziraat Participation continues its activities with the aim of offering new products to the sector and simplified solutions to its customers with its human resources who are innovative and open to change. Ziraat Participation's total asset volume increased by 55% compared to the previous period to reach TL 22 billion. With the funds it disbursed in line with the principles of participation banking, reached customers at the right time in line with their needs. Ziraat Participation adopted a customer-focused service approach as its main principle.

Ziraat Participation's collected fund size increased by 51% compared to the previous period to reach TL 15 billion. In addition to the widespread fund distribution, the Bank also diversified its sources of funding with the lease certificates issued in 2018.

Within the framework of the sustainable profitability principle, Ziraat Participation increased its net profit for the period to TL 323 million, an increase of 103% compared to the previous period. Having completed 2017 with 63 branches, Ziraat Participation opened 17 new branches in 2018 and increased its total number of branches to 80. Adding dynamism to the sector with its extensive service network throughout the country and the different digital products which it provides to its customers, Ziraat Participation is striding confidently towards its goal of being present in every province of Turkey.

Ziraat Participation, which aims to reach its customers from every channel at every point of our country, offered services through 66 ATMs as of the end of 2018, when the organization had a total of 1,991 POS customers.

In 2019, Ziraat Participation will continue to increase its presence in participation banking and its share in the Turkish banking sector thanks to its balance sheet structure based on financing, its quality financing portfolio, its extensive and diversified resource structure and its 1,042 experienced staff.

Yours respectfully,
The Ziraat Katılım Board of Directors



Information on the Activities of the Committees

The Credit Committee

Composed of the Bank's CEO and at least two members to be elected from the Board of Directors who fulfill the requirements for the CEO (except time); the Credit Committee is established to perform the duties regarding credits, which will be granted by the Board of Directors. Two alternate members are elected among the Board members who fulfill the requirements for the CEO (except time) to serve in place of a member of the Credit Committee who cannot participate in any meeting. The Board may delegate its powers for the credit allocation to the Credit Committee or to the General Directorate.

Chairman

Metin ÖZDEMİR
Member of the Board and CEO

Members

Cemalettin BAŞLI
Member of the Board

Feyzi ÇUTUR
Member of the Board

Alternate Members

Salim ALKAN
Member of the Board

The Credit Committee took 332 decisions in 18 meetings held in 2018.

The Audit Committee

The Board of Directors appoints at least two members of the Board who do not have executive responsibilities and whose qualifications are determined by the Banking Regulation and Supervision Agency (BRSA) to form the Audit Committee to assist the fulfillment of the Board's audit and supervision activities.

Members

Cemalettin BAŞLI
Member of the Board

Feyzi ÇUTUR
Member of the Board

The Audit Committee took 22 decisions in 10 meetings held in 2018.

The Corporate Governance Committee

The Corporate Governance Committee is formed under the Presidency of a member of the Board who will be determined by the Board of Directors. The main task of the committee is to monitor the compliance of the Bank's corporate governance principles, to carry out improvement activities in this regard and to provide recommendations to the Board of Directors.

Members

Metin ÖZDEMİR
Member of the Board and CEO

Salim ALKAN
Member of the Board and Chairman of the Corporate Governance Committee

The Corporate Governance Committee has not held a meeting in 2018. (Corporate Governance Committee's secretarial duties are carried on by Financial Corporate and Investment Banking Department)

The Remuneration Committee

The Remuneration Committee consists of at least two members who will be determined by the Board of Directors.

The Committee monitors and audits remuneration practices on behalf of the Board of Directors. In addition, the Committee performs the tasks specified in the relevant regulations issued by the Banking Regulation and Supervision Agency (BRSA).

Members

Metin ÖZDEMİR
Member of the Board and CEO

Salim ALKAN
Member of the Board

The Remuneration Committee took 1 decision in 1 meeting held in 2018.

The Number of the Board Meetings

The Board of Directors took 149 decisions in 27 meetings held in 2018.



Human Resources Practices and Policies and the Expectations Regarding 2019

Human Resources of Ziraat Participation provides an environment where employees work based on principles of sustainable efficiency, customer focus and profitability, and supports their development and change. In this context, the evaluation process of employees who request a change in service or position is planned to include competencies and performance together with

being successful in simulations designed by the human resources. Within this context, by appointing employees working at the Bank to other open positions, the Bank aims to be in compliance with equality and fairness principles as well as selection and development of future leaders.

Transactions Carried out with Ziraat Participation's Risk Group

Ziraat Participation's relations with the institutions involved in the risk group in which it is included covers all types of banking transactions compliant with the Banking Law and within the framework of regular bank-customer relation and within the market conditions. The transactions consist primarily of lending, current and participation accounts.

The amounts of the transactions that Ziraat Participation carried out with its risk group in 2018 and the explanations regarding this matter are mentioned in the footnote numbered VII of the fifth section of the year-end financial statements, which take place within the annual report.

Companies from which Support Services Are Obtained

1. Banking and Peripheral Systems Software and Infrastructure Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ziraat Teknoloji A.Ş., Intertech Bilgi ve Pazarlama Tic. A.Ş.
2. Cash Group Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
3. Swift Transactions and Black List Control Application Services from Fineksus Bilişim Ticaret A.Ş.
4. Securities Buying and Selling Application Services from Active Bilgisayar Hizm. Tic. Ltd.
5. Card and Printing Office Services and the Card Payment Systems Services from Provus A.Ş.
6. Security Services from Ekol Grup Güvenlik Koruma ve Eğitim Hizm. Ltd.
7. Customer Relations Center services from T.C. Ziraat Bankası A.Ş.
8. Check Printing Services from Güzel Sanatlar Basım Ltd.
9. Printing Office Services from Bileşim Alternatif Dağıtım Kanalları ve Hizmetleri A.Ş.
10. Card Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.
11. Printing Card Password Service from Austria Card Turkey Kart Operasyonları A.Ş.
12. Mortgage Processing and Registration Services from Uz Gayrimenkul Yatırım Danışmanlık A.Ş., AVI Gayrimenkul Yatırım Danışmanlık A.Ş., Mas Global Yatırım ve Danışmanlık Hizmetleri Tic. Ltd. Şti. and FU Gayrimenkul Yatırım Danışmanlık A.Ş.
13. Motorcycle Courier and Delivery Services from Aktif İletim ve Kurye Hizmetleri A.Ş., Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. and Telekurye ve Dağıtım ve Kurye Hizmetleri A.Ş.

PART III - Financial Information and Risk Management

Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The activities of internal audit, internal control and risk management in our Bank are carried out respectively by the Supervisory Board, Directorate of the Internal Control and Compliance Department and Directorate of the Risk Management Department, under the Audit Committee.

The following is aimed with our organization that is established in a way to include all units and branches:

- To continue banking operations in a secure manner in line with the legislation, policy, principles and objectives,
- To achieve sustainable profitability targets, to perform the financial and administrative reporting in a timely and secure manner,
- To define Ziraat Participation's legal, nominal and financial risks, to measure, report, and monitor the risks and to minimize the concerned risks by controlling them.

The Functioning of Internal Audit

The Supervisory Board controls whether the operations carried out by the Bank's all units and branches are in accordance with the law and other relevant legislation and the Bank's strategies, policies, principles and objectives; the effectiveness of internal control and risk management systems within the framework of risk-based audit approach.

The Supervisory Board continues to work in such a manner to contribute to the decision-making processes by informing the Bank's senior management.

The Supervisory Board assessed the accuracy, effectiveness and efficiency of the operational steps that comprise of primary and secondary processes by auditing the Bank activities' compliance with the processes which they are subjected to in accordance with the provisions of "Regulation on the Bank Information Systems and Banking Processes Audit to be Realized by External Audit Institutions" and "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes".

The branch, unit and process audits were completed at a ratio of 93% in accordance with the Audit Plan prepared to be implemented in 2018. The 2019 Audit Plan preparation works are still ongoing by taking into consideration the risks carried by the branches and units and in a manner compliant with the Bank objectives and policies.

The Management's Declaration pertaining to the 2018 operations, which is prepared in order to present assurance about the effectiveness, adequacy and compliance of internal controls on the information systems and banking processes, was prepared in time by adding the reports regarding the audits of the companies from which information systems processes audits and support services are procured. The Supervisory Board closely monitored the changes stipulated by the legislative regulations, the Banking Regulation and Supervision Agency decisions, the Bank's Senior Management and the Headquarters units, and regularly revised the audit points.

The Functioning of Internal Control System

The purpose of Internal Control activities is to ensure the protection of the Bank's assets, effective and efficient conduct of the operations, unity and reliability of the accountancy and reporting system and timely access to the information.

Within the scope of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", Internal Control activities were configured in a way to cover the branches' and the Headquarters units' operations.

The branch controls are carried out within the framework of the control programs prepared according to the opening dates of new branches, most recent reporting dates and periodical risk situations of current branches. In order to increase the risk and control awareness during the internal control activities of the branch and to prevent the losses arising from operational risks, the branch personnel were continuously informed.

The control periods of Headquarters units were determined by taking into consideration of the functions of the units, the risks they carry, job descriptions and the units' effect on the Bank's balance sheet and were revised in accordance with the needs.



Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

Within our Bank, Internal Control activities were carried out on the following topics: functional segregation of duties; division of responsibilities; establishment of the accountancy and reporting system, the information system and the Bank's internal communication channels in a manner that they will operate effectively; the creation of work flow charts in which the controls on the Bank's work processes and work steps are indicated.

Internal Control activities were conducted in compliance with the Bank's main goals and strategies within the framework of law, other relevant legislation, the Bank's internal policies and rules, and common banking practices. Moreover, while carrying out the activities, a proactive approach was adopted to make sure that the compliance to changing strategy, risk perception and conditions is provided without wasting time.

Internal Control system contributed to the carrying out of the Bank's operations in compliance with the domestic and international legislations and competition conditions through the control matrixes that are prepared pursuant to the adopted proactive manner and regularly revised based on the possible changes.

R&D studies were conducted in order to carry out technology-focused, central, and real-time internal control activities, and to help the relevant business units to take a rapid action against the common shortcomings.

The findings revealed as a result of all these activities were periodically conveyed to the Bank's relevant business units and to the Senior Management.

Information Notes were prepared for the issues which are identified during the Internal Control activities carried out in the Headquarters units and the branches and which are considered being in need of rapid action taken and the notes were quickly shared with the relevant units and/or the Senior Management.

In 2018 recommendation reports were continued to be prepared for the improvement of processes regarding the operations carried out in the Bank and the establishment of control points on these processes, which will be complied and implemented by the personnel from all levels, increasing the effectiveness of the controls on the processes, prevention of possible risks, ensuring customer satisfaction and taking cost reducing measures.

Internal Control staff attended numerous trainings during the year for their professional development. In order to increase company-wide awareness for internal control activities, various trainings were organized for Bank employees and Internal Control staff has provided support for those trainings.

Within the framework of 18th article of Assessment Processes of the Banks' Internal System and Intrinsic Capital Adequacy, compliance controls were carried out. In this context, all the operations that the Bank performs or plans to perform with the new transactions and products were controlled in terms of their compliance to law and other relevant legislation, the Bank's internal policies and rules and the banking practices.

The compliance program was formed in accordance with the "Communiqué on Compliance with Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". Activities aimed at preventing the laundering of proceeds of crime have been carried out in line with national and international regulations. The Bank's policy regarding the prevention of laundering the proceeds of crime and financing of terrorism was shared with the public on the Bank's website. Moreover, the Bank's employees are provided with training regarding the prevention of laundering proceeds of crime and financing of terrorism.

The Functioning of Risk Management System

The main purpose of Ziraat Participation risk management system is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and the limits determined to monitor, control, and when necessary to change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The main approach in the risk management activities, instilling risk culture across the Bank in accordance with the provisions of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", to execute the risk management function with best practices by continuously improving the system and the human resources. The activities carried out within the framework of risk management system are given care to be carried out simultaneously with the contributions of the units that are included in the business line with which each risk type is related.

The risk management activities cover the basic headings of credit risk, market risk, operational risk, liquidity risk and other risks. The final objective is to comply with the best practices.

Within the framework of credit risk management activities, the activities for the definition, measurement, monitoring and reporting of the credit risk by using the methods in compliance with Basel II. In this context, the calculation of the amount subject to credit risk, which began legally as of 1 July 2012, is monthly reported to the BRSA in solo basis. Due to the fact that our Bank became operational in May 2015, there is not adequate data for the measurement of credit worthiness in relation to the advance measurement methods.

The credit risk limits approved by the Board are monitored; the activities to carry out scenario analysis and stress test regarding the credit portfolios are ongoing. Also, the compliance activities with the Basel III regulations and the regulations revised by the BRSA within the framework of Basel are continuing.

Operational risk management activities comprise the definition, classification, measurement, and analysis of the operational risks.

These activities are carried out as part of the Bank's "Operational Risk Management Regulation" that is prepared in accordance with the arrangements issued on 28 June 2012 by the BRSA to comply with Basel II. The compliance with the operational risk limits approved by the Board, which are determined in order to manage operational risks, is periodically monitored. The risks stem from information technologies and the actions taken are also monitored. The risk assessments are carried out for the companies from which support services are procured within the framework of the BRSA's regulations that are currently in effect.

As part of operational risk, media analysis reports relevant to reputation risk and provided daily from the Bank's Corporate Communication Service are examined.

Within the scope of market and liquidity risks management, measurement, analysis, limiting, reporting and monitoring activities are carried out pertaining to liquidity risk and dividend rate risk stemming from banking calculations. The analyses conducted are supported with stress test. The compliance to the market and liquidity risk limits, which are approved by the Board and determined to manage the concerned risks, is periodically monitored. Also, Value at Risk is calculated daily with the internal models regarding exchange risk as part of market risk and retrospective test analyses are carried out for these models.

The results of the analyses carried out within the scope of risk management activities and risk indicators are reported annually to the Board of Directors, at three months periods to the Audit Committee, at weekly and daily periods to the operational units.

In order to increase the internal systems personnel's individual and occupational development, the personnel was ensured to attend internal and external training, conference and seminars, thus, their practical knowledge level is constantly being developed.



Ziraat Participation's Financial Standing, Profitability and Solvency

Starting operations in 2015 with the principle of "Achieving More by Sharing", Ziraat Participation increased its total assets by 55% YoY to TL 22 billion and shareholders' equity to TL 2.2 billion rising by 58% compared to the previous year, in parallel with the strategy of increasing the share of participation banking from the sector.

Growth in Ziraat Participation's assets in 2018 stems from cash loans. Cash loans increased by 56% compared to the previous year and reached 80% of total assets. When compared to previous year, cash loans increased by TL 8 billion while non-cash loans increased by TL 4 billion.

Ziraat Participation rounded off 2018 with current and participation accounts of TL 15 billion, marking an increase of 51%, in line with its aim of obtaining low cost resources spread to the base. Current and participation accounts had a 68% share in the balance sheet at the end of 2018. Share of current accounts in funds collected is 15.7%.

Within the framework of balanced growth, sustainable financial performance and profitability principles, the Bank closed 2018 with a profit of TL 323 million. Net profit- sharing income which was TL 443 million at the end of 2017 has increased to TL 771 million as of 2018 year end.

Ratios

%	December 2017	December 2018
Capital		
Capital Adequacy Ratio	13.1	12.76
Shareholders' Equity/Total Assets	9.8	9.9
Shareholders' Equity/(Total Assets+Non-cash Loans)	6.9	6.8
Shareholders' Equity/(Funds Collected+Other Funds)	11.1	11.4
Asset Quality		
Total Loans/Total Assets	79.3	79.9
NPL (Gross)/Cash Loans	0.3	1.4
NPL (Gross)/(Total Loans)	0.2	0.9
Securities Portfolio/Total Assets	3.7	5.9
FC Assets/FC Liabilities	62.7	62.7
Other Assets/Total Assets	3.7	1.6
Liquidity		
Liquid Assets/Total Assets	13.4	12.6
Liquid Assets/(Funds Collected+Other Funds)	15.2	14.4
Liabilities Structure		
Current Deposit/Total Deposit	16.5	15.7
Loans/Funds Collected	32.8	112.4
Profitability		
Net Profit (Loss)/Average Total Assets	1.4	1.7
Net Profit (Loss)/Average Shareholders' Equity	15.4	19.5
Net Profit (Loss)/Average Paid-in Capital	16.6	24.2
Income-Expense Structure		
Profit Shares Income/Profit Shares Expense	182.3	158.4
Non-Profit Shares Incomes/Non-Profit Shares Expenses	19.8	38.4
Total Incomes/Total Expenses	123.8	121.8
Profit Shares Incomes/Total Incomes	94.2	90.4
Non-Profit Shares Incomes/Total Incomes	5.8	9.6
Profit Shares Expenses/Total Expenses	64.0	69.5
Non-Profit Shares Expenses/Total Expenses	36.0	30.5



Information about Risk Management Policies and Activities According to Type of Risk

Ziraat Participation risk management activities are continued under the basic approach of aligning the risk management function with the best practices by means of instilling risk culture, continuously improvement of the system and the human resources.

The risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks. Policy and application procedures regarding the afore-mentioned risks are governed by regulations approved by the Board of Directors on the basis of each risk type. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Within the scope of “Regulation on Banks’ Internal System and Intrinsic Capital Adequacy Assessment Processes”, an Intrinsic Capital Adequacy Assessment Process was formulated. The purpose of this process is to identify the required capital to cover the exposed/to be exposed risks and to set up a system that will enable the assessment of the capital requirements and levels compatible with strategic goals and the continuity of this system. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses.

Compliance to Basel III regulations are carried out within the framework of “Regulation on Measurement and Assessment of Banks’ Leverage Level” and “Regulation on the Capital Conservation Buffer and Loop Capital”. Additionally, the compliance efforts to the regulation amendments made within the scope of Basel by the BRSA and thirteen “Best Practice Guides” published on the Institution’s web site are ongoing.

As part of Basel III liquidity criteria, the Liquidity Coverage Ratio Report is prepared within the scope of “Regulation on the Calculation of Banks’ Liquidity Coverage Ratio” and conveyed to the BRSA.

Credit Risk

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks. The legal reports are prepared by using the standard approach method within the framework of “Regulation on Measurement and Assessment of Banks’ Capital Adequacy”. In this context, Ziraat Participation’s credit risk exposure is monthly reported to the BRSA on solo basis.

The Leverage Ratio is conveyed to the BRSA and the CBRT in three-month periods.

The Company Assessment System is used in order to evaluate the credit worthiness of the customers who are in Ziraat Participation’s commercial portfolio. Credit risk limits and trigger values on the basis of risk groups and customer segments, which are approved by the Board of Directors, as well as limits and trigger values of non-performing loan ratio have been calculated. All these values are monitored on a weekly basis.

Market Risk

Risk measurement and monitoring activities are carried out in order to reveal the market risks to which Ziraat Participation may be exposed. The results of these activities are taken into account in the Bank’s strategic decision-making processes. The market risks and potential effects of the factors that create the risks are measured and regularly reported to the BRSA by Ziraat Participation.

The Standardized Approach methodology is used to calculate the Bank’s exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Within the context of market risk, exchange risk is also calculated on a daily basis using a VaR-based internal model. The effectiveness of the models being used is also analyzed by means of back testing.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect Ziraat Participation’s financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.



Information about Risk Management Policies and Activities According to Type of Risk

Operational Risk

Works for monitoring operational risks through the Operational Risk Loss Database are ongoing. The mandatory capital needed to cover the Ziraat Participation's operational risk exposure is calculated using the Basic Indicator Approach methodology. In order to create a basic integrated risk framework, IT-associated risks and the actions taken are also monitored.

As part of the Business Continuity Plan, "Business Impact Analyses" works are completed in order both to identify the risks that might arise if the Bank's operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of "Regulation on the Outsourcing of Support Services by Banks" issued by the BRSA.

Balance Sheet Risks

Risk measurement and monitoring activities are carried out in order to reveal the balance sheet risks to which Ziraat Participation may be exposed on account both of its liquidity risks and of its profit share rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank's strategic decision-making processes.

Compliance with mandatory ratios pertaining to liquidity and profit share rate risks arising from banking business accounts is also monitored. When carrying out the liquidity risk control; funding and lending maturity mismatches, assets' and liabilities' re-pricing as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank's normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements are monitored. In addition to the foregoing, scenario and sensitivity analyses regarding liquidity risk are performed.

Signal values are followed and risk levels are limit as part of early warning process to prevent the Bank's financial strength from increased volatility in the markets and mismatch that can be seen on cash inflows and outflows while carrying out daily activities.



Summary Balance Sheet and Income Statement

(TL million)			
Assets	December 2016	December 2017	December 2018
Liquid Assets	1,670	1,922	2,795
Securities Portfolio	416	524	1,304
Loans	5,558	11,375	17,739
Other Assets	316	529	351
Total Assets	7,960	14,350	22,189
Liabilities			
Funds Collected	5,636	10,025	15,151
Other Funds	1,421	2,646	4,232
Other Liabilities	138	275	587
Shareholders' Equity	765	1,404	2,219
Total Liabilities	7,960	14,350	22,189
Selected Income/Expenses			
Profit Shares Income	391	981	2,091
Profit Shares Expense	181	538	1,320
Profit Shares Income/Expense (net)	210	443	771
Fees and Commissions Income/Expense (net)	14	30	61
Trading Income/Loss (net)	7	12	58
Other Operating Income	2	3	80
Other Operating Expense	141	198	175
Provisions for Loans and Other Receivables	52	90	256
Income Before Tax	40	200	415
Tax Provision	(10)	(41)	(92)
Net Profit/Loss	31	159	323

Credit Rating Agency's Notes

Credit Rating Agency	Category	Credit Note	Date
Fitch Ratings	Long Term Foreign Currency Credit Note	B+	01 October 2018
	Short Term Foreign Currency Credit Note	B	
	Long Term Turkish Lira Credit Note	BB+	
	Short Term Turkish Lira Credit Note	B	
	National Long Term Credit Note	AAA (tur)	
	Support	3	

Ziraat Katılım Bankası A.Ş.

Unconsolidated Financial Statements as of 31 December 2018 with Independent Auditors' Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish,
See Note I in Section Three)

Independent Auditor's Report



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To the Shareholders of Ziraat Katılım Bankası Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2018 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Ziraat Katılım Bankası Anonim Şirketi 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 Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As disclosed in section five footnote II.8.d.1, the accompanying unconsolidated balance sheet as at 31 December 2018 include a general reserve of total of TL 30.000 thousands which is provided by the Bank management in the current period for the possible effects of the negative circumstances which may arise in the economy or market conditions.

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Audit Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA's") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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. These matters were addressed in the context of our 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. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

Impairment of loans measured at amortised cost

Refer to Section III, No: VIII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans measured at amortised cost.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2018, loans measured at amortised cost comprise approximately 80% of the Bank's total assets.</p> <p>The Bank recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the new adoption of the Standard, in determining the impairment of financial assets the Bank started to apply "expected credit loss" model rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none">- Determining the significant increase in credit risk since initial recognition of loans on the financial statements- incorporating the forward looking macroeconomic information in calculation of credit risk- design and implementation of expected credit loss model- The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. <p>The Bank estimates expected credit losses on a collective basis.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and incorporating the future expectations.</p> <p>Impairment on loans calculation is determined as a key audit matter, due to the significance of the estimates and the level of judgments and its complex structure as explained above</p>	<p>Our procedures for auditing the expected credit losses on loans include below:</p> <ul style="list-style-type: none">- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the support of information risk management specialists.- We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.- We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.- We evaluated the Banks's business model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist.- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including forward looking information and macroeconomic expectations.- We tested the accuracy and completeness of the data in calculation of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were examined and the risk parameters were recalculated.- We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.- We evaluated the criterias which are used in determining the significant increase in credit risk.- Additionally, we also evaluated the adequacy of the disclosures in the unconsolidated financial statements related to impairment provisions.

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

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the “BRSa Accounting and 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.

Auditors’ Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSa Regulation and TSAs will always detect a material misstatement when it exists. 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 audit in accordance with BRSa Audit Regulation TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.
- Obtain an understanding of 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’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

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 auditors' 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) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the unconsolidated financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Erdal Tirmak SMMM
Partner 923
18 February 2019
Istanbul, Turkey

Ziraat Katılım Bankası A.Ş.

**Unconsolidated Financial Report of Ziraat Katılım Bankası A.Ş.
As of and for the Year Ended 31 December 2018**

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The unconsolidated year-end financial report in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT


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



Hüseyin AYDIN
Chairman of the Board



Metin ÖZDEMİR
Member of the Board,
General Manager



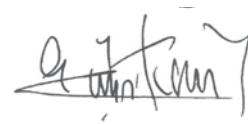
Cemalettin BAŞLI
Member of the Board,
Member of the Audit Committee



Feyzi ÇUTUR
Member of the Board,
Member of the Audit Committee



Osman KARAKÜTÜK
Vice President of Treasury and
Internal Operating



Gürkan ÇAKIR
Head of Financial
Coordination Department

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

Name-Surname/Position : Mesut Küçük/Financial Reporting Manager
Tel No : 0 216 559 22 53
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Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TL 1.250.000 to TL 1.750.000 by increasing the amount of cash by TL 500.000.

Main operation field of the Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency within the scope of Participation Banking fundamentals.

All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

II. EXPLANATION ABOUT THE BANK’S CAPITAL STRUCTURE AND SHAREHOLDERS WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS THROUGHOUT THE YEAR (IF ANY) AND THE GROUP OF THE BANK

As of 31 December 2018 and 31 December 2017, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2018		31 December 2017	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.250.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.250.000	100,00

^(*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

III. EXPLANATIONS ON THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE BANK

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Salim ALKAN	Member of the BOD, President of Corporate Management Committee, Member of Pricing Committee, Substitute Member of Credit Committee
Assistant General Manager	
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury and Internal Operations
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

Chairman and members of the Board of Directors have no Bank’s share capital.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
Total	1.750.000	100,00	1.750.000	-

^(*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to nine months (nine months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 31 December 2018, Bank operates with its 80 branches (31 December 2017: 63 domestic branches) and 1,042 (31 December 2017: 890) workers domestically.

Bank has no branches abroad.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank’s subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

VII. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

SECTION TWO

THE BANK’S UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance sheet (statement of financial position)
- II. Statement of off-balance sheet commitments
- III. Statement of profit or loss
- IV. Statement of profit or loss and other comprehensive income
- V. Statements of changes in shareholders’ equity
- VI. Statement of cash flows
- VII. Statement of profit distribution

Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2018

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

	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		1,520,928	2,577,299	4,098,227
1.1 Cash and Cash Equivalents		338,745	2,456,239	2,794,984
1.1.1 Cash and Balances with Central Bank	(1)	333,810	1,673,503	2,007,313
1.1.2 Banks	(2)	4,935	782,736	787,671
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.2.1 Government Debt Securities		-	-	-
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(3)	1,183,345	121,017	1,304,362
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Instruments		4,897	-	4,897
1.3.3 Other Financial Assets		1,178,448	121,017	1,299,465
1.4 Financial Assets Measured at Amortized Cost	(4)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(5)	13	43	56
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		13	43	56
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)	(6)	1,175	-	1,175
II. LOANS (NET)	(7)	12,565,543	5,173,882	17,739,425
2.1 Loans		12,034,001	4,969,829	17,003,830
2.1.1 Measured at Amortized Cost		12,034,001	4,969,829	17,003,830
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables		499,781	204,053	703,834
2.2.1 Financial Lease Receivables		607,877	236,153	844,030
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		108,096	32,100	140,196
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortized Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		240,160	-	240,160
2.5 Expected Credit Loss (-)		208,399	-	208,399
2.5.1 12 Month Expected Credit Losses (Stage I)		32,984	-	32,984
2.5.2 Significant Increase in Credit Risk (Stage II)		51,637	-	51,637
2.5.3 Credit-Impaired Losses (Stage III/Special Provision)		123,778	-	123,778
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(8)	4,259	-	4,259
3.1 Held for Sale Purpose		4,259	-	4,259
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS	(9)	100	-	100
4.1 Investments in Associates (Net)		-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)		100	-	100
4.2.1 Unconsolidated Financial Subsidiaries		100	-	100
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(10)	52,116	-	52,116
VI. INTANGIBLE ASSETS (Net)	(11)	80,396	-	80,396
6.1 Goodwill		-	-	-
6.2 Other		80,396	-	80,396
VII. INVESTMENT PROPERTY (Net)	(12)	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-
IX. DEFERRED TAX ASSET	(14)	49,870	-	49,870
X. OTHER ASSETS	(15)	161,719	2,691	164,410
TOTAL ASSETS		14,434,931	7,753,872	22,188,803

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
		Prior Period (31/12/2017)		
		TL	FC	Total
ASSETS				
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	305.803	1.337.886	1.643.689
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(5)	33	4	37
2.1 Financial Assets Held for Trading		33	4	37
2.1.1 Public Sector Debt Securities		-	-	-
2.1.2 Securities Representing a Share in Capital		-	-	-
2.1.3 Derivative Financial Assets Held for Trading		33	4	37
2.1.4 Other Marketable Securities		-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.2.1 Public Sector Debt Securities		-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	(3)	3.320	275.261	278.581
IV. MONEY MARKET PLACEMENTS		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	516.461	7.712	524.173
5.1 Securities Representing a Share in Capital		4.719	-	4.719
5.2 Public Sector Debt Securities		-	-	-
5.3 Other Marketable Securities		511.742	7.712	519.454
VI. LOANS AND RECEIVABLES	(7)	9.656.012	1.718.732	11.374.744
6.1 Loans and receivables		9.639.259	1.718.732	11.357.991
6.1.1 Loans to Risk Group of the Bank		400.452	358.536	758.988
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		9.238.807	1.360.196	10.599.003
6.2 Non-performing loans		34.841	-	34.841
6.3 Specific provisions (-)		18.088	-	18.088
VII. INVESTMENTS HELD TO MATURITY (Net)	(4)	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(9)	-	-	-
8.1 Accounted with Equity Method		-	-	-
8.2 Unconsolidated Associates		-	-	-
8.2.1 Financial investments		-	-	-
8.2.2 Non-financial investments		-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(9)	100	-	100
9.1 Unconsolidated financial subsidiaries		100	-	100
9.2 Unconsolidated non-financial subsidiaries		-	-	-
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-
10.1 Consolidated under equity method		-	-	-
10.2 Unconsolidated		-	-	-
10.2.1 Financial subsidiaries		-	-	-
10.2.2 Non-financial subsidiaries		-	-	-
XI. RECEIVABLES FROM LEASING TRANSACTIONS	(7)	372.944	-	372.944
11.1 Finance Lease Receivables		479.451	-	479.451
11.2 Operating Lease Receivables		-	-	-
11.3 Other		-	-	-
11.4 Unearned Income (-)		106.507	-	106.507
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE		-	-	-
12.1 Fair Value Hedges		-	-	-
12.2 Cash Flow Hedges		-	-	-
12.3 Hedges for Investments Made in Foreign Countries		-	-	-
XIII. TANGIBLE ASSETS (Net)	(10)	47.235	-	47.235
XIV. INTANGIBLE ASSETS (Net)	(11)	63.280	-	63.280
14.1 Goodwill		-	-	-
14.2 Other		63.280	-	63.280
XV. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-
XVI. TAX ASSET		14.093	-	14.093
16.1 Current Tax Asset	(13)	-	-	-
16.2 Deferred Tax Asset	(14)	14.093	-	14.093
XVII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(8)	3.561	-	3.561
17.1 Held for Sale		3.561	-	3.561
17.2 Held from Discontinued Operations		-	-	-
XVIII. OTHER ASSETS	(15)	27.584	122	27.706
TOTAL ASSETS		11.010.426	3.339.717	14.350.143

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

Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2018

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

	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. FUNDS COLLECTED	(1)	8.248.548	6.902.550	15.151.098
II. FUNDS BORROWED	(2)	1.391.745	1.970.129	3.361.874
III. MONEY MARKETS DEBTS	(3)	864.414	-	864.414
IV. SECURITIES ISSUED (Net)	(4)	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	6.145	6.145
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	6.145	6.145
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VII. FINANCE LEASE PAYABLES	(7)	-	415	415
7.1 Finance Lease Payables		-	422	422
7.2 Operating Lease Payables		-	-	-
7.3 Other		-	-	-
7.4 Deferred Finance Lease Expenses (-)		-	7	7
VIII. PROVISIONS	(8)	117.948	14.016	131.964
8.1 Restructuring Provisions		-	-	-
8.2 Reserve for Employee Benefits		21.640	-	21.640
8.3 Insurance Technical Provisions (Net)		-	-	-
8.4 Other Provisions		96.308	14.016	110.324
IX. CURRENT TAX LIABILITY	(9)	53.974	-	53.974
X. DEFERRED TAX LIABILITY	(10)	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	-	-	-
12.1 Loans		-	-	-
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES	(13)	368.202	32.133	400.335
XIV. SHAREHOLDERS' EQUITY	(14)	2.218.279	305	2.218.584
14.1 Paid-in capital		1.750.000	-	1.750.000
14.2 Capital Reserves		-	-	-
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserve		-	-	-
14.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.473	-	1.473
14.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(40.112)	305	(39.807)
14.5 Profit Reserves		158.593	-	158.593
14.5.1 Legal Reserves		9.961	-	9.961
14.5.2 Status Reserves		-	-	-
14.5.3 Extraordinary Reserves		138.256	-	138.256
14.5.4 Other Profit Reserves		10.376	-	10.376
14.6 Income or (Loss)		348.325	-	348.325
14.6.1 Prior Periods' Income or (Loss)		25.660	-	25.660
14.6.2 Current Period Income or (Loss)		322.665	-	322.665
TOTAL LIABILITIES AND EQUITY		13.263.110	8.925.693	22.188.803

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. FUND COLLECTED	(1)	6.345.946	3.678.649	10.024.595
1.1 Fund Collected Held By the Risk Group of the Bank		8.156	3	8.159
1.2 Other		6.337.790	3.678.646	10.016.436
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	-	6.280	6.280
III. FUNDS BORROWED	(2)	977.178	1.629.936	2.607.114
IV. MONEY MARKET BALANCES	(3)	32.462	-	32.462
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	-	-	-
VI. MISCELLANEOUS PAYABLES	(13)	27.254	8.462	35.716
VII. OTHER LIABILITIES	(13)	69.368	1.202	70.570
VIII. FINANCE LEASE PAYABLES	(7)	-	-	-
8.1 Finance Lease Payables		-	-	-
8.2 Operating Lease Payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-
9.1 Fair Value Hedges		-	-	-
9.2 Cash Flow Hedges		-	-	-
9.3 Hedges for Investments Made in Foreign Countries		-	-	-
X. PROVISIONS	(8)	138.685	3.605	142.290
10.1 General Provisions		99.082	-	99.082
10.2 Restructuring Provisions		-	-	-
10.3 Employee Benefits Provisions		4.719	-	4.719
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		34.884	3.605	38.489
XI. TAX LIABILITY		27.435	-	27.435
11.1 Current Tax Liability	(9)	27.435	-	27.435
11.2 Deferred Tax Liability	(10)	-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
12.1 Held for Sale		-	-	-
12.2 Held from Discontinued Operations		-	-	-
XIII. SUBORDINATED LOANS	(12)	-	-	-
XIV. SHAREHOLDERS' EQUITY	(14)	1.403.692	(11)	1.403.681
14.1 Paid-in Capital		1.250.000	-	1.250.000
14.2 Capital Reserves		(14.901)	(11)	(14.912)
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Valuation Differences		(14.901)	(11)	(14.912)
14.2.4 Tangible Assets Revaluation Reserves		-	-	-
14.2.5 Intangible Assets Revaluation Reserves		-	-	-
14.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-
14.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
14.2.10 Other Capital Reserves		-	-	-
14.3 Profit Reserves		9.691	-	9.691
14.3.1 Legal Reserves		1.308	-	1.308
14.3.2 Statutory Reserves		-	-	-
14.3.3 Extraordinary Reserves		3.843	-	3.843
14.3.4 Other Profit Reserves		4.540	-	4.540
14.4 Profit or Loss		158.902	-	158.902
14.4.1 Prior Years Profit/Loss		-	-	-
14.4.2 Net Period Profit/Loss		158.902	-	158.902
TOTAL LIABILITIES AND EQUITY		9.022.020	5.328.123	14.350.143

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

Unconsolidated Statement of Off-Balance Sheet Commitments As of 31 December 2018

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

	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)	4.369.125	8.684.102	13.053.227
I. GUARANTEES AND WARRANTIES		4.070.241	6.213.201	10.283.442
1.1 Letters of Guarantee		4.058.895	4.581.471	8.640.366
1.1.1 Guarantees Subject to State Tender Law		263.507	1.436.775	1.700.282
1.1.2 Guarantees Given for Foreign Trade Operations		3.622.754	-	3.622.754
1.1.3 Other Letters of Guarantee		172.634	3.144.696	3.317.330
1.2 Bank Acceptances		-	3.591	3.591
1.2.1 Import Letter of Acceptance		-	3.591	3.591
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		5.584	611.224	6.168.808
1.3.1 Documentary Letters of Credit		5.584	611.224	6.168.808
1.3.2 Other Letters of Credit		-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		-	1.010.273	1.010.273
1.7 Other Collaterals		5.762	6.642	12.404
II. COMMITMENTS	(1)	298.884	59.931	358.815
2.1 Irrevocable Commitments		298.884	59.931	358.815
2.1.1 Forward asset purchase commitments		28.133	59.931	88.064
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		102.994	-	102.994
2.1.7 Tax and Fund Liabilities from Export Commitments		6.925	-	6.925
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		160.832	-	160.832
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	2.410.970	2.410.970
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-
3.2 Trading Derivative Financial Instruments		-	2.410.970	2.410.970
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	2.410.970	2.410.970
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	1.204.570	1.204.570
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	1.206.400	1.206.400
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		19.380.896	2.390.013	21.770.909
IV. ITEMS HELD IN CUSTODY		1.322.027	752.222	2.074.249
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		919.760	-	919.760
4.3 Checks Received for Collection		361.417	61.070	422.487
4.4 Commercial Notes Received for Collection		39.613	2.604	42.217
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.237	297.828	299.065
4.8 Custodians		-	390.720	390.720
V. PLEDGES RECEIVED		18.058.869	1.637.791	19.696.660
5.1 Marketable Securities		919.767	442.154	1.361.921
5.2 Guarantee Notes		1.204.313	156.295	1.360.608
5.3 Commodity		1.286.488	367.493	1.653.981
5.4 Warranty		-	-	-
5.5 Properties		12.115.418	105.561	12.220.979
5.6 Other Pledged Items		2.532.883	566.288	3.099.171
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		23.750.021	11.074.115	34.824.136

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Statement of Off-Balance Sheet Commitments As of 31 December 2017

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

	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
		Prior Period (31/12/2017)		
		TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)				
I. GUARANTEES AND WARRANTIES	(1)	3.274.276	4.234.096	7.508.372
1.1 Letters of Guarantee		3.173.375	2.938.163	6.111.538
1.1.1 Guarantees Subject to State Tender Law		3.169.925	2.152.205	5.322.130
1.1.2 Guarantees Given for Foreign Trade Operations		111.858	696.422	808.280
1.1.3 Other Letters of Guarantee		2.910.565	-	2.910.565
1.2 Bank Acceptances		147.502	1.455.783	1.603.285
1.2.1 Import Letter of Acceptance		-	4.784	4.784
1.2.2 Other Bank Acceptances		-	4.784	4.784
1.3 Letters of Credit		-	-	-
1.3.1 Documentary Letters of Credit		-	447.193	447.193
1.3.2 Other Letters of Credit		-	447.193	447.193
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		-	-	-
1.7 Other Collaterals		3.450	329.962	333.412
II. COMMITMENTS	(1)	100.901	31.855	132.756
2.1 Irrevocable Commitments		100.901	31.855	132.756
2.1.1 Forward asset purchase commitments		30.056	31.855	61.911
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		64.845	-	64.845
2.1.7 Tax and Fund Liabilities from Export Commitments		1.966	-	1.966
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		4.034	-	4.034
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	1.264.078	1.264.078
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-
3.2 Trading Derivative Financial Instruments		-	1,264,078	1,264,078
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	1,264,078	1,264,078
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	629,444	629,444
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	634,634	634,634
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		12.684.779	946.613	13.631.392
IV. ITEMS HELD IN CUSTODY		447.409	252.379	699.788
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		119.399	-	119.399
4.3 Checks Received for Collection		307.270	2.778	310.048
4.4 Commercial Notes Received for Collection		20.465	4.592	25.057
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		275	97.500	97.775
4.8 Custodians		-	147.509	147.509
V. PLEDGES RECEIVED		12.237.370	694.234	12.931.604
5.1 Marketable Securities		1,189,468	331,670	1,521,138
5.2 Guarantee Notes		864,266	35,828	900,094
5.3 Commodity		830,495	27	830,522
5.4 Warranty		-	-	-
5.5 Properties		8,755,047	-	8,755,047
5.6 Other Pledged Items		598,094	326,709	924,803
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		15.959.055	5.180.709	21.139.764

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

Unconsolidated Statement of Profit or Loss For the Year Ended 31 December 2018

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

	Note (Section Five IV)	THOUSAND OF TURKISH LIRA Current Period 01/01/2018-31/12/2018
INCOME AND EXPENSE ITEMS		
I. PROFIT SHARE INCOME		2.090.557
1.1 Profit share on loans	(1)	1.852.528
1.2 Profit share on reserve deposits		37.081
1.3 Profit share on banks		-
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		136.942
1.5.1 Fair Value Through Profit or Loss		-
1.5.2 Fair Value Through Other Comprehensive Income		136.942
1.5.3 Measured at Amortized Cost		-
1.6 Finance lease income		54.581
1.7 Other profit share income		9.425
II. PROFIT SHARE EXPENSE	(2)	1.319.723
2.1 Expense on profit sharing accounts		1.099.243
2.2 Profit share expense on funds borrowed		195.671
2.3 Profit share expense on money market borrowings		24.801
2.4 Expense on securities issued		-
2.5 Other profit share expense		8
III. NET PROFIT SHARE INCOME (I - II)		770.834
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		60.727
4.1 Fees and commissions received		84.273
4.1.1 Non-cash loans		66.607
4.1.2 Other		17.666
4.2 Fees and commissions paid		23.546
4.2.1 Non-cash loans		42
4.2.2 Other		23.504
V. PERSONNEL EXPENSE (-)		123.973
VI. DIVIDEND INCOME	(3)	177
VII. TRADING INCOME/(LOSS) (Net)	(4)	57.781
7.1 Capital market transaction gains/(losses)		(2.396)
7.2 Gains/(losses) from derivative financial instruments		61.368
7.3 Foreign exchange gains/(losses)		(1.191)
VIII. OTHER OPERATING INCOME	(5)	80.212
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		845.758
X. EXPECTED CREDIT LOSS (-)	(6)	256.021
XI. OTHER OPERATING EXPENSES (-)	(7)	175.188
XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		414.549
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-
XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	414.549
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(91.884)
17.1 Current Tax Provision		(113.918)
17.2 Deferred Tax Income Effect (+)		(626)
17.3 Deferred Tax Expense Effect (-)		22.660
XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	322.665
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income on assets held for sale		-
19.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
19.3 Income on other discontinued operations		-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1 Expenses for Non-current Assets Held for Sale		-
20.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
20.3 Expenses for Other Discontinued Operations		-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current tax provision		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET INCOME/(LOSS) (XVIII+XXIII)	(11)	322.665
Earning/(Loss) per share (in TL full)		0,2432

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Statement of Profit or Loss For the Year Ended 31 December 2017

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

	Note (Section Five IV)	THOUSAND OF TURKISH LIRA Prior Period 01/01-31/12/2017
INCOME AND EXPENSE STATEMENT		
I. PROFIT SHARE INCOME	(1)	981.392
1.1 Profit share on loans		885.752
1.2 Profit share on reserve deposits		16.396
1.3 Profit share on banks		-
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		48.634
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		48.634
1.5.4 Investments held-to-maturity		-
1.6 Finance lease income		29.782
1.7 Other profit share income		828
II. PROFIT SHARE EXPENSE	(2)	538.306
2.1 Expense on profit sharing accounts		471.134
2.2 Profit share expense on funds borrowed		64.114
2.3 Profit share expense on money market borrowings		3.058
2.4 Expense on securities issued		-
2.5 Other profit share expense		-
III. NET PROFIT SHARE INCOME (I - II)		443.086
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		30.343
4.1 Fees and commissions received		45.743
4.1.1 Non-cash loans		35.266
4.1.2 Other		10.477
4.2 Fees and commissions paid		15.400
4.2.1 Non-cash loans		4
4.2.2 Other		15.396
V. DIVIDEND INCOME	(3)	-
VI. NET TRADING INCOME	(4)	11.556
6.1 Capital market transaction gains/(losses)		(851)
6.2 Gains/(losses) from derivative financial instruments		(26.682)
6.3 Foreign exchange gains/(losses)		39.089
VII. OTHER OPERATING INCOME	(5)	2.663
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		487.648
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	90.143
X. OTHER OPERATING EXPENSES (-)	(7)	197.531
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		199.974
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. GAIN/(LOSS) ON EQUITY METHOD		-
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	199.974
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(41.072)
16.1 Current Tax Provision		(46.907)
16.2 Deferred Tax Provision		5.835
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	158.902
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
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 jointly controlled entities (joint vent.)		-
19.3 Loss from other discontinued operations		-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	158.902
Earnings per share income/loss (full TL)		0,1615

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

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2018

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

		THOUSAND OF TURKISH LIRA
		Current Period
		01/01-31/12/2018
I.	CURRENT PERIOD INCOME/LOSS	322.665
II.	OTHER COMPREHENSIVE INCOME	(23.422)
2.1	Not Reclassified Through Profit or Loss	1.002
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	1.253
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(251)
2.2	Reclassified Through Profit or Loss	(24.424)
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(30.945)
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	6.521
III.	TOTAL COMPREHENSIVE INCOME (I+II)	299.243

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

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

		THOUSAND OF TURKISH LIRA
		Prior Period
STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		01/01/2017-31/12/2017
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(17.225)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VII.	THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	3.382
X.	TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(13.843)
XI.	PROFIT/LOSS	158.902
11.1	Change in fair value of marketable securities (transfer to profit/loss)	-
11.2	Reclassification of derivatives accounted for cash flow hedge purposes to statement of profit or loss	-
11.3	Reclassification of hedge of net investments in foreign operations to statement of profit or loss	-
11.4	Other	158.902
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	145.059

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2018

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

		STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY						
	Current Period 1 January -31 December 2018	Paid-in capital	Share Premium	Share certificate cancellation profits	Other Capital Reserves	Accumulated Revaluation Increase/ Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
I.	Prior Period End Balance	1.250.000	-	-	-	-	471	-
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-
2.1	Effects of Corrections	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1.250.000	-	-	-	-	471	-
IV.	Total Comprehensive Income	-	-	-	-	-	1.002	-
V.	Capital Increase by Cash	500.000	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-
11.1	Dividends paid	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	1.750.000	-	-	-	-	1.473	-

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Foreign Currency Translation Differences)	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
	-	(15.383)	-	9.691	158.902	-	1.403.681
	-	-	-	-	25.660	-	25.660
	-	-	-	-	-	-	-
	-	-	-	-	25.660	-	25.660
	-	(15.383)	-	9.691	184.562	-	1.429.341
	-	(24.424)	-	-	-	322.665	299.243
	-	-	-	-	-	-	500.000
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	148.902	(158.902)	-	(10.000)
	-	-	-	-	(10.000)	-	(10.000)
	-	-	-	-	-	-	-
	-	-	-	148.902	(148.902)	-	-
	-	(39.807)	-	158.593	25.660	322.665	2.218.584

Unconsolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2017

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

		THOUSAND TURKISH LIRA						
	Audited Prior Period 1 January - 31 December 2017	(Section Five) Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves
I.	Balances at beginning of the period		747.000	-	-	-	-	-
	Changes During the Period		-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Joint vent.)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-
XII.	Increase in Capital		503.000	-	-	-	-	-
12.1	Cash		500.000	-	-	-	-	-
12.2	From Internal Resources		3.000	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	1.308	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	1.308	-
18.3	Other		-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		1.250.000	-	-	-	1.308	-

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

THOUSAND TURKISH LIRA

Extra-ordinary reserve	Other reserve	Current period net income/ (loss)	Prior period net income/ (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund,	Total equity
-	-	30.673	(11.982)	(1.070)	-	-	-	-	764.621
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(13.842)	-	-	-	-	(13.842)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	(3.000)	-	-	-	-	-	500.000
-	-	-	-	-	-	-	-	-	500.000
-	-	-	(3.000)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	158.902	-	-	-	-	-	-	158.902
3.843	4.540	(30.673)	14.982	-	-	-	-	-	(6.000)
-	-	-	(6.000)	-	-	-	-	-	(6.000)
3.843	4.540	-	(9.691)	-	-	-	-	-	-
-	-	(30.673)	30.673	-	-	-	-	-	-
3.843	4.540	158.902	-	(14.912)	-	-	-	-	1.403.681

Unconsolidated Statement of Cash Flows For the Year Ended 31 December 2018

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

	Note (VI)	THOUSAND OF TURKISH LIRA Current Period 01/01/2018 - 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(262.408)
1.1.1 Profit share income received		1.946.489
1.1.2 Profit share expense paid		(1.218.373)
1.1.3 Dividend received		177
1.1.4 Fees and commissions received		84.273
1.1.5 Other income		15.519
1.1.6 Collections from previously written off loans		19.317
1.1.7 Payments to personnel and service suppliers		(135.031)
1.1.8 Taxes paid		(83.458)
1.1.9 Others		(891.321)
1.2 Changes in operating assets and liabilities		647.647
1.2.1 Net (increase)/decrease in held for trading financial assets		(435)
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		(322.369)
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(5.637.051)
1.2.4 Net (increase) decrease in loans		(137.402)
1.2.5 Net (increase) decrease in other assets		40.870
1.2.6 Net increase (decrease) in bank deposits		5.013.229
1.2.7 Net increase (decrease) in other deposits		-
1.2.8 Net increase (decrease) in funds borrowed		78.626
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		1.612.179
I. Net cash provided from banking operations		385.239
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(800.717)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(43.950)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(756.767)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		655.818
3.1 Cash obtained from funds borrowed and securities issued		3.454.000
3.2 Cash used for repayment of funds borrowed and securities issued		(2.777.402)
3.3 Marketable Securities Issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		(26.612)
3.6 Other		5.832
IV. Effect of change in foreign exchange rate on cash and cash equivalents		303.391
V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		543.731
VI. Cash and cash equivalents at the beginning of the period	(I)	601.801
VII. Cash and cash equivalents at the end of the period	(I)	1.145.532

As noted in Section three-note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Unconsolidated Statement of Cash Flows For the Year Ended 31 December 2017

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

	Note (VI)	THOUSAND OF TURKISH LIRA Prior Period 01/01/2017 - 31/12/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities)		121.921
1.1.1 Profit share income received		823.676
1.1.2 Profit share expense paid		(491.718)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		45.745
1.1.5 Other income		762
1.1.6 Collections from previously written off loans		12.807
1.1.7 Payments to personnel and service suppliers		(86.969)
1.1.8 Taxes paid		(29.546)
1.1.9 Others		(152.834)
1.2 Changes in operating assets and liabilities		(1.451.536)
1.2.1 Net (increase)/decrease in held for trading financial assets		1.118
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(755.341)
1.2.4 Net (increase) decrease in loans		(5.824.304)
1.2.5 Net (increase) decrease in other assets		(8.143)
1.2.6 Net increase (decrease) in bank deposits		(17.131)
1.2.7 Net increase (decrease) in other deposits		4.371.094
1.2.8 Net increase (decrease) in funds borrowed		885.232
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		(104.061)
I. Net cash provided from banking operations		(1.329.615)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(155.176)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(50)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(59.478)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(95.648)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		921.158
3.1 Cash obtained from funds borrowed and securities issued		1.100.000
3.2 Cash used for repayment of funds borrowed and securities issued		(669.064)
3.3 Marketable Securities Issued		500.000
3.4 Dividends paid		(6.000)
3.5 Payments for finance leases		(8.318)
3.6 Other		4.540
IV. Effect of change in foreign exchange rate on cash and cash equivalents		51.176
V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		(512.457)
VI. Cash and cash equivalents at the beginning of the period	(I)	1.114.258
VII. Cash and cash equivalents at the end of the period	(I)	601.801

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

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2018

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

	Audited Current Period (31/12/2018)
I. DISTRIBUTION OF THE CURRENT YEAR INCOME	
1.1 Current Year Income (Loss)	414.549
1.2 Taxes and Duties Payable (-) ⁽³⁾	113.918
1.2.1 Corporate Tax (Income Tax)	113.918
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	300.631
1.3 Prior Year Losses (-)	-
1.4 First Legal Reserves (-)	-
1.5 Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	300.631
1.6 First Dividend to Shareholders (-)	-
1.6.1 To Owners of Ordinary Shares	-
1.6.2 To Owners of Privileged Shares	-
1.6.3 To Owners of Preferred Shares	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-
1.7 Dividends to Personnel (-)	-
1.8 Dividends to Board of Directors (-)	-
1.9 Second Dividend to Shareholders (-)	-
1.9.1 To Owners of Ordinary Shares	-
1.9.2 To Owners of Privileged Shares	-
1.9.3 To Owners of Preferred Shares	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-
1.10 Second Legal Reserves (-)	-
1.11 Statutory Reserves (-)	-
1.12 Extraordinary Reserves	-
1.13 Other Reserves	-
1.14 Special Funds	-
II. DISTRIBUTION OF RESERVES	
2.1 Appropriated Reserves	-
2.2 Second Legal Reserves (-)	-
2.3 Dividends to Shareholders (-)	-
2.3.1 To Owners of Ordinary Shares	-
2.3.2 To Owners of Privileged Shares	-
2.3.3 To Owners of Preferred Shares	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-
2.4 Dividends to Personnel (-)	-
2.5 Dividends to Board of Directors (-)	-
III. EARNINGS PER SHARE	
3.1 To Owners of Ordinary Shares	0,2432
3.2 To Owners of Ordinary Shares (%)	24,3206
3.3 To Owners of Privileged Shares	-
3.4 To Owners of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	
4.1 To Owners of Ordinary Shares	-
4.2 To Owners of Ordinary Shares (%)	-
4.3 To Owners of Privileged Shares	-
4.4 To Owners of Privileged Shares (%)	-

⁽¹⁾ Profit distribution is decided by the General Assembly. As of reporting date, General Assembly meeting has not been held yet.⁽²⁾ Deferred tax related to current year, amount of TL 22.034 is not subject to profit distribution.⁽³⁾ It is shown in full TL amounts.

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

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2017

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

	Audited Prior Period (31/12/2017)
I. DISTRIBUTION OF THE CURRENT YEAR INCOME	
1.1 Current Year Income (Loss)	199.974
1.2 Taxes and Duties Payable (-) ⁽¹⁾	46.907
1.2.1 Corporate Tax (Income Tax)	46.907
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	153.067
1.3 Prior Year Losses (-)	-
1.4 First Legal Reserves (-)	-
1.5 Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	153.067
1.6 First Dividend to Shareholders (-)	-
1.6.1 To Owners of Ordinary Shares	-
1.6.2 To Owners of Privileged Shares	-
1.6.3 To Owners of Preferred Shares	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-
1.7 Dividends to Personnel (-)	10.000
1.8 Dividends to Board of Directors (-)	-
1.9 Second Dividend to Shareholders (-)	-
1.9.1 To Owners of Ordinary Shares	-
1.9.2 To Owners of Privileged Shares	-
1.9.3 To Owners of Preferred Shares	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-
1.10 Second Legal Reserves (-)	1.000
1.11 Statutory Reserves (-)	-
1.12 Extraordinary Reserves	134.414
1.13 Other Reserves	-
1.14 Special Funds	-
II. DISTRIBUTION OF RESERVES	
2.1 Appropriated Reserves	-
2.2 Second Legal Reserves (-)	-
2.3 Dividends to Shareholders (-)	-
2.3.1 To Owners of Ordinary Shares	-
2.3.2 To Owners of Privileged Shares	-
2.3.3 To Owners of Preferred Shares	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-
2.4 Dividends to Personnel (-)	-
2.5 Dividends to Board of Directors (-)	-
III. EARNINGS PER SHARE	
3.1 To Owners of Ordinary Shares ⁽²⁾	0,1556
3.2 To Owners of Ordinary Shares (%)	15,5551
3.3 To Owners of Privileged Shares	-
3.4 To Owners of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	
4.1 To Owners of Ordinary Shares	-
4.2 To Owners of Ordinary Shares (%)	-
4.3 To Owners of Privileged Shares	-
4.4 To Owners of Privileged Shares (%)	-

⁽¹⁾ Deferred tax related to current year, amount of TL 5.835 is not subject to profit distribution.⁽²⁾ It is shown in full TL amounts.

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

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of reporting Turkish Accounting Standards or TAS and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

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”, published in Official Gazette no. 28337, dated 28 June 2012 and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Unless otherwise specified, all balances in the unconsolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, these 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.

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2018 the Bank has applied TFRS 9 Financial Instruments (“TFRS 9”) published by POA according to “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached unconsolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years’ profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIV of Section Three.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Bank’s accounting policies, financial position and performance.

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on and after 1 January 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.

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II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of the Bank’s resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans.

Bank’s liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized under the net foreign exchange income/expense account.

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Based on the TAS 27 “Turkish Accounting Standard for Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On 19 July 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of TL 50, which was fully paid by the Bank. The Company has started to operate after the registration on 8 September 2017.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Bank’s derivative financial instruments consist of forward foreign currency buy/sell agreements.

Derivative financial instruments of the Bank are classified under “IFRS 9 Financial Instruments” (“IFRS 9”), “Derivative Financial Assets at Fair Value through Profit or Loss” or “Derivative Financial Assets at Fair Value through Other Comprehensive Income”.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities at Fair Value Through Profit or Loss”. The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

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VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

VII. EXPLANATIONS ON FINANCIAL ASSETS

As TFRS 9 has been put into effect on 1 January 2018, the Bank’s accounting policy for financial instruments is summarized as follows.

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments part three “Recognition and Derecognition”. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

The Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition.

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

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

All gains and losses arising from these valuations are reflected in the income statement.

The Bank does not have any financial assets classified as “Financial Assets at Fair Value Through Profit or Loss”.

b. Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

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Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

At initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods’ profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in income statement.

Loans

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Internal Rate of Return Method”.

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

Bank’s loans are recognized under “Measured at Amortized Cost” account.

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expectation Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk

Impairment

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside”. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Provision for 12 month expected credit loss (stage 1)

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (stage 2)

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2. The expected loss provision is calculated for loans under stage 1 by calculating the 1-year maturity, while the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity. The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the second stage are the close monitoring, the number of delay days being 30 and above, and the Bank’s internal early warning system note.

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Default (stage 3/special provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: Having past due more than 90 days
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective interest rate and discounted cash flows. When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are the ratio of Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

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IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when and only when the Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

The properties obtained from the Bank’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of a bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The bank has no discounted operations.

As of 31 December 2018, the Bank’s held for sale assets is TL 4.259 (31 December 2017: TL 3.561).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the Bank has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software’s initial costs and amortized over 3-15 years considering the useful life.

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XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

Vehicles and Fixtures :	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Transactions as a lessee

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 “Leases”. Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Payable”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Payable” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Profit Share Expenses”.

Transactions as a lessor

The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

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The Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits”.

According to the related regulation, the Bank is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling). Employment Termination Benefit is calculated based on actuarial assumptions.

The Bank’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2018, the Bank’s employee termination benefit is TL 5.056 (31 December 2017: TL 2.330).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2018 unused vacation liability of the Bank is TL 3.584 (31 December 2017: TL 2.389).

The Bank is not employing its personnel by means of limited-period contracts.

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b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancellation was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws” (“Renewed Law”), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SSI, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

According to the 58th And the temporary 7th Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization’s personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20th Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

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Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

The technical balance sheet report as of 31 December 2018 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

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

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

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations’ 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

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Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors’ real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors’ revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

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

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

b. Deferred tax

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax”, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

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

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

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

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

The decision to increase the capital to TL 1.750.000 was approved at the Extraordinary General Assembly of the Bank held on September 20, 2018, and the capital increase and accordingly the amendment to the related article of the Articles of Association were registered on 23 October 2018 and it was announced in the Trade Registry Gazette No. 9691. The accounting for the related capital increase was made on 7 November 2018 with the permission of BRSA.

XX. EXPLANATIONS ON ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Bank are presented in the “Off-Balance Sheet” commitments.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank as of the balance sheet date.

XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXIII. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed in Note XII. of Section Four.

XXIV. EXPLANATIONS ON OTHER MATTERS

Adoption of TFRS 9 financial instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and interest.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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Explanations on the impact of TFRS 9 implementation of the Bank are below.

Reconciliation of statement of financial position balances to TFRS 9

	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
ASSETS				
FINANCIAL ASSETS (NET)	2.446.480	(792)	531	2.446.219
Cash and Cash Equivalents	1.922.270	-	-	1.922.270
Cash and Balances with Central Bank	1.643.689	-	-	1.643.689
Banks	278.581	-	-	278.581
Money Markets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	524.173	-	-	524.173
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative Financial Assets	37	-	-	37
Non-Performing Financial Assets	-	-	-	-
Expected Loss Provision (-)	-	792	(531)	261
LOANS (NET)	11.747.688	(98.291)	62.130	11.711.527
Loans	11.747.688	(98.291)	62.130	11.711.527
Measured at Amortised Cost	11.730.935	-	-	11.730.935
Non-Performing Loans	34.841	-	-	34.841
Expected Loss Provision (-)	18.088	98.291	(62.130)	54.249
<i>12 Month Expected Credit Losses (Stage I)</i>	-	97.427	(66.180)	31.247
<i>Significant Increase in Credit Risk (Stage II)</i>	-	864	1.593	2.457
<i>Credit-Impaired Losses (Stage III/Special Provision)</i>	18.088	-	2.457	20.545
PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	3.561	-	-	3.561
Investments in Associates (Net)	100	-	-	100
Subsidiaries (Net)	-	-	-	-
Joint Ventures (Net)	100	-	-	100
PROPERTY AND EQUIPMENT (Net)	47.235	-	-	47.235
INTANGIBLE ASSETS (Net)	63.280	-	-	63.280
INVESTMENT PROPERTY (Net)	-	-	-	-
OTHER ASSETS	41.799	-	7.472	49.271
TOTAL ASSETS	14.350.143	(99.083)	70.133	14.321.193

⁽¹⁾ Financial assets classified as available for sale financial assets at 31 December 2017 reclassified as Financial Assets Measured at Fair Value Through Other Comprehensive Income at 1 January 2018. Since the measurements of the previous and current accounts are the same, the classification change had no effect.

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	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
LIABILITIES AND EQUITY				
FUNDS COLLECTED	10.024.595	-	-	10.024.595
FUNDS BORROWED	2.607.114	-	-	2.607.114
MONEY MARKETS DEBTS	32.462	-	-	32.462
SECURITIES ISSUED (Net)	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	6.280	-	-	6.280
FINANCE LEASE PAYABLES	-	-	-	-
PROVISIONS	142.291	(99.083)	44.473	87.681
General Provisions	99.083	(99.083)	-	-
Employee Benefits Provisions	4.719	-	-	4.719
Other Provisions	38.489	-	44.473	82.962
Current Tax Liability	27.435	-	-	27.435
Deferred Tax Liability	-	-	-	-
OTHER LIABILITIES	106.285	-	-	106.285
SHAREHOLDERS' EQUITY	1.403.681	-	25.660	1.429.341
Paid-in capital	1.250.000	-	-	1.250.000
Capital Reserves	(14.912)	-	-	(14.912)
Other Capital Reserve	-	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(14.912)	-	-	(14.912)
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	-	-	-	-
Tangible Assets Revaluation Reserves	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-
Profit Reserves	9.691	-	-	9.691
Legal Reserves	1.308	-	-	1.308
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.843	-	-	3.843
Other Profit Reserves	4.540	-	-	4.540
Profit or Loss	158.902	-	25.660	184.562
Prior Years Profit/Loss	-	-	25.660	25.660
Net Period Profit/Loss	158.902	-	-	158.902
TOTAL LIABILITIES AND EQUITY	14.350.143	(99.083)	70.133	14.321.193

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	116.379	(62.130)	54.249
Stage 1 ^(*)	97.427	(66.180)	31.247
Stage 2 ^(*)	864	1.593	2.457
Stage 3	18.088	2.457	20.545
Financial Assets ^(**)	792	(531)	261
Non-cash Loans	9.701	2.320	12.021
Stage 1 and 2	8.111	2.030	10.141
Stage 3	1.590	290	1.880
Total	126.872	(60.341)	66.531

^(*) Represents general provisions for stage 1 and 2 loans before TFRS 9.

^(**) Within the scope of TFRS 9, provisions include provisions for Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

Explanations on prior period accounting policies not available for the current period

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

a. Financial assets at the fair value through profit or loss:

Financial Assets at the Fair Value Through Profit or Loss have two sub categories: “Trading Financial Assets” and “Financial Assets at Fair Value Through Profit/Loss”.

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Bank has no financial assets at fair value through profit or loss.

b. Available-for-sale financial assets:

Available-for-sale financial assets refer to financial assets other than the ones classified as “loans and receivables”, “held-to-maturity assets” or “financial assets at fair value through profit or loss”.

Available for sale assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

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Available-for-sale financial assets are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method, Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira (“TL”) accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

d. Held-to-maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted by setting forth provision for impairment loss (impairment loss expense) or by posting profit share income.

Held to maturity assets are initially recognized at cost value.

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 December 2018 current period capital amount of the Bank is TL 2.164.339 (31 December 2017: TL 1.259.583), and capital adequacy standard ratio is 12,76% (31 December 2017: 13,06%).

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Information Related To The Components of Shareholders’ Equity:

	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	158.593	
Gains recognized in equity as per TAS	305	
Profit	348.325	
Current Period Profit	322.665	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2.257.223	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	38.639	
Improvement costs for operating leasing	18.408	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	80.396	
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 valued liabilities	-	
Defined-benefit pension fund net assets	1.728	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in 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	-	
Portion of the total of net long positions of investments made in 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 exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
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	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the 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	139.171	
Total Common Equity Tier 1 Capital	2.118.052	

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	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
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 I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
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 above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	2.118.052	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	47.962	
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	
Tier II Capital Before Deductions	47.962	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in 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 (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item 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	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	47.962	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.166.014	

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	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	1,075	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
TOTAL CAPITAL		
Total Capital	2,164,939	
Total risk weighted amounts ^(**)	16,782,105	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,62	
Tier 1 Capital Adequacy Ratio	12,62	
Capital Adequacy Ratio	12,76	
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	0,00	
c) Systemic significant bank buffer ratio	0,00	
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	8,12	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of 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 above Tier I capital	-	
Portion of the total of 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 above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47,962	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47,962	
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 I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

^(*) Amounts in this column represents the amounts of items that are subject to transition provisions

^(**) Legal capital amount used in capital adequacy calculation which has been taken into consideration as not included BHFOR effect is TL 2.140.475.

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	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.250.000	
Share issue premiums	-	
Reserves	9.691	
Gains recognized in equity as per TAS	-	
Profit	158.902	
Current Period Profit	158.902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Premiums on sale of share certificates	-	
Common Equity Tier 1 Capital Before Deductions	1.418.593	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14.912	
Improvement costs for operating leasing	15.987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50.624	
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 valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in 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	-	
Portion of the total of net long positions of investments made in 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 exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Total Deductions From Common Equity Tier 1 Capital	81.523	
Total Common Equity Tier 1 Capital	1.337.070	

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	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
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 I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
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 above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	12.656	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	12.656	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.324.414	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	36.348	
Tier II Capital Before Deductions	36.348	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in 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 (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item 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	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	36.348	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1.360.762	

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	101.179	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total Capital	1.259.583	
Total risk weighted amounts	9.643.523	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	13,87	
Tier 1 Capital Adequacy Ratio (%)	13,73	
Capital Adequacy Ratio (%)	13,06	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	1,25	
a) Capital conservation buffer requirement	1,25	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
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 (%)	9,36	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of 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 above Tier I capital	-	
Portion of the total of 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 above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36.348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36.348	
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 I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Information of the borrowing instruments to be included in equity calculation:

None.

Required explanations for the reconciliation between table of equity components and balance sheet:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of general provision from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts are taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

	Balance Sheet Value	Adjustment Effect	Value in capital calculation form
Paid-in capital	1.750.000	-	1.750.000
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	(38.639)	(38.639)
Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income	(38.334)	38.639	305
Profit reserves	158.593	-	158.593
Profit or loss	348.325	-	348.325
Prior Periods' Income or (Loss)	25.660	-	25.660
Profit or loss for the current period	322.665	-	322.665
Deductions from capital	-	(100.532)	(100.532)
Common Equity Tier 1 Capital	-	-	2.118.052
Tier 1 Capital	-	-	2.118.052
General provisions	-	47.962	47.962
Debt instruments and share issue premiums deemed suitable by the BRSA (*)	-	-	-
Tier II Capital	-	47.962	47.962
Deductions to be defined by the BRSA (-)	-	1.075	1.075
Total Capital	2.218.584	-	2.164.939

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

II. EXPLANATIONS ON CREDIT RISK

The Credit risk states the debtor or institution’s probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management’s Credit Committee and the authorization limits which was given by Board of Directors, Financial and non-financial informations, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank’s credit risk expected to be significantly decline.

Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

The Bank makes provision as proposed with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Ziraat Katılım Bankası A.Ş.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monetary transactions.

The Bank calculate specific provisions which is classified as an illiquid claim considering with related deposits received from customers as stated in “Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves”.

The receivable of the Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is %55,17 and %65,14 (31 December 2017: %50,43 and %60,57).

The receivable of the Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 59,75% and %72,39 (31 December 2017: %56,73 and %71,10).

The receivable of the Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is %56,85 and %67,80 (31 December 2017: %41,28 and %52,90).

The Banks general loan loss provision amount for its credit risk is TL 84.621 (31 December 2017: TL 99.082).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
Current Period							
Domestic	2.612.856	-	7.997	-	-	2.218.083	14.191.836
European Union Countries	-	-	-	-	-	115.275	-
OECD Countries ⁽¹⁾	-	-	-	-	-	1.281	-
Off-shore Banking Regions	-	-	-	-	-	63	-
USA, Canada	-	-	-	-	-	43.985	-
Other Countries	-	-	-	-	-	12.215	4.329
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	2.612.856		7.997			2.390.902	14.196.165

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
Prior Period							
Domestic	2.178.097	-	84.658	-	-	1.270.572	8.382.582
European Union Countries	-	-	-	-	-	58.927	-
OECD Countries ⁽¹⁾	-	-	-	-	-	750	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	3.983	-
Other Countries	-	-	-	-	-	76.780	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	2.178.097		84.658			1.411.015	8.382.582

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

⁽²⁾ Consists of assets and liabilities that cannot be distributed according to a consistent framework.

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
1.376.029	1.935.066	91.375	-	-	-	-	-	116.555	22.549.797
-	-	-	-	-	-	-	-	-	115.275
-	-	-	-	-	-	-	-	-	1.281
-	-	-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	-	-	43.985
-	-	-	30.164	-	-	-	-	-	46.708
-	-	-	-	-	-	-	-	100	100
-	-	-	-	-	-	-	-	-	-
1.376.029	1.935.066	91.375	30.164	-	-	-	-	116.655	22.757.209

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
1.033.272	1.294.917	7.793	2.027	-	-	-	-	103.069	14.356.987
-	-	-	-	-	-	-	-	-	58.927
-	-	-	-	-	-	-	-	-	750
-	-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-	3.983
-	-	-	-	-	-	-	-	-	76.780
-	-	-	-	-	-	-	-	100	100
-	-	-	-	-	-	-	-	-	-
1.033.272	1.294.917	7.793	2.027	-	-	-	-	103.169	14.497.530

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Risk Profile by Sectors or Counterparties

Current Period Sectors/Counterparties	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Agriculture	-	-	-	-	-	-	167.816	13.926
Farming and Stockbreeding	-	-	-	-	-	-	165.848	9.989
Forestry	-	-	-	-	-	-	1.968	3.356
Fishing	-	-	-	-	-	-	-	581
Manufacturing	-	-	-	-	-	-	6.709.315	386.972
Mining and Quarrying	-	-	-	-	-	-	228.911	10.291
Production	-	-	-	-	-	-	6.074.635	369.755
Electric, Gas and Water	-	-	-	-	-	-	405.769	6.926
Construction	-	-	-	-	-	-	2.999.326	168.416
Services	2.612.856	-	7.997	-	-	2.390.902	4.236.792	549.707
Wholesale and Retail Trade	-	-	-	-	-	-	2.422.604	427.177
Hotel Food and Beverage Services	-	-	-	-	-	-	75.722	13.351
Transportation and Telecommunication	-	-	-	-	-	-	415.185	22.146
Financial Institutions	2.612.856	-	2.824	-	-	2.390.902	330.671	2.710
Real Estate and Leasing Services	-	-	-	-	-	-	774.680	66.859
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	24.110	4.843
Health and Social Services	-	-	5.173	-	-	-	193.820	12.621
Other	-	-	-	-	-	-	82.916	257.008
Total	2.612.856	-	7.997	-	-	2.390.902	14.196.165	1.376.029

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	5.274	600	-	-	-	-	-	-	161.742	25.874	187.616
	4.824	600	-	-	-	-	-	-	155.657	25.604	181.261
	-	-	-	-	-	-	-	-	5.054	270	5.324
	450	-	-	-	-	-	-	-	1.031	-	1.031
	236.014	11.713	-	-	-	-	-	-	2.283.557	5.060.457	7.344.014
	2.779	-	-	-	-	-	-	-	42.759	199.222	241.981
	220.762	11.713	-	-	-	-	-	-	1.965.012	4.711.853	6.676.865
	12.473	-	-	-	-	-	-	-	275.786	149.382	425.168
	489.634	29.073	-	-	-	-	-	-	2.403.786	1.282.663	3.686.449
	361.346	49.806	30.164	-	-	-	-	100	5.526.159	4.713.511	10.239.670
	184.752	23.275	-	-	-	-	-	-	1.831.224	1.226.584	3.057.808
	15.881	81	-	-	-	-	-	-	36.189	68.846	105.035
	4.885	198	-	-	-	-	-	-	111.292	331.122	442.414
	-	-	30.164	-	-	-	-	100	2.915.941	2.454.286	5.370.227
	115.970	23.584	-	-	-	-	-	-	503.080	478.013	981.093
	-	-	-	-	-	-	-	-	-	-	-
	32.941	1.992	-	-	-	-	-	-	49.147	14.739	63.886
	6.917	676	-	-	-	-	-	-	79.286	139.921	219.207
	842.798	183	-	-	-	-	-	116.555	1.113.426	186.034	1.299.460
	1.935.066	91.375	30.164	-	-	-	-	116.655	11.488.670	11.268.539	22.757.209

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Risk Profile by Sectors or Counterparties

Prior Period	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Sectors/Counter Parties								
Agriculture	-	-	-	-	-	-	79.855	11.587
Farming and Stockbreeding	-	-	-	-	-	-	77.031	7.439
Forestry	-	-	-	-	-	-	1.418	4.148
Fishing	-	-	-	-	-	-	1.406	-
Manufacturing	-	-	-	-	-	-	3.447.915	260.712
Mining and Quarrying	-	-	-	-	-	-	91.600	3.122
Production	-	-	-	-	-	-	3.212.657	256.586
Electric, Gas and Water	-	-	-	-	-	-	143.658	1.004
Construction	-	-	-	-	-	-	1.946.310	102.837
Services	2.178.097	-	82.903	-	-	1.411.015	2.827.739	424.957
Wholesale and Retail Trade	-	-	-	-	-	-	1.716.082	324.489
Hotel Food and Beverage Services	-	-	-	-	-	-	25.548	11.493
Transportation and Telecommunication	-	-	-	-	-	-	74.349	21.148
Financial Institutions	2.178.097	-	82.900	-	-	1.411.015	185.623	884
Real Estate and Leasing Services	-	-	-	-	-	-	701.029	59.107
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	29.830	3.250
Health and Social Services	-	-	3	-	-	-	95.278	4.586
Other	-	-	1.755	-	-	-	80.763	233.179
Total	2.178.097	-	84.658	-	-	1.411.015	8.382.582	1.033.272

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitized positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
5.767	-	-	-	-	-	-	-	80.833	16.376	97.209
5.542	-	-	-	-	-	-	-	73.636	16.376	90.012
-	-	-	-	-	-	-	-	5.566	-	5.566
225	-	-	-	-	-	-	-	1.631	-	1.631
127.328	47	229	-	-	-	-	-	1.739.873	2.096.358	3.836.231
-	-	-	-	-	-	-	-	45.244	49.478	94.722
122.465	47	229	-	-	-	-	-	1.547.561	2.044.423	3.591.984
4.863	-	-	-	-	-	-	-	147.068	2.457	149.525
329.227	2.534	205	-	-	-	-	-	1.973.162	407.951	2.381.113
242.649	5.212	1.432	-	-	-	-	100	4.977.404	2.196.700	7.174.104
111.785	5.212	1.432	-	-	-	-	-	1.864.225	294.775	2.159.000
8.209	-	-	-	-	-	-	-	32.992	12.258	45.250
798	-	-	-	-	-	-	-	95.713	582	96.295
-	-	-	-	-	-	-	100	2.203.450	1.655.169	3.858.619
109.863	-	-	-	-	-	-	-	723.955	146.044	869.999
-	-	-	-	-	-	-	-	-	-	-
11.659	-	-	-	-	-	-	-	37.271	7.468	44.739
335	-	-	-	-	-	-	-	19.798	80.404	100.202
589.946	-	161	-	-	-	-	103.069	955.908	52.965	1.008.873
1.294.917	7.793	2.027	-	-	-	-	103.169	9.727.180	4.770.350	14.497.530

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1.385.243	3.469	78.412	-	1.145.732
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	32	496	7.469
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2.375.853	-	-	4.566	10.483
Conditional and unconditional exposures to corporates	507.586	1.540.540	2.312.046	3.474.044	6.361.949
Conditional and unconditional retail exposures	64.318	98.155	203.851	320.058	689.647
Conditional and unconditional exposures secured by real estate property	21.654	27.026	75.019	154.802	1.656.565
Past due receivables	91.375	-	-	-	-
Receivables defined in high risk category by BRSA	30.164	-	-	-	-
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	116.655	-	-	-	-
Grand Total	4.592.848	1.669.190	2.669.360	3.953.966	9.871.845

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	2.539.811	-	2.491.245	995.131	2.196.951	1.373.343	14.117.561	30.164	-	-	-	98.805
2	Exposures after Credit Risk Mitigation	3.342.825	-	2.586.240	995.131	2.544.166	1.086.051	13.159.628	30.164	-	-	-	98.805

Prepared with the numbers after conversion rate to credit.

Information on Significant Sectors or Counterparty Based:

Impaired Credits; are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Expected Credit Loss” calculation is made within the scope of Regulation on Provisions.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Past Due Credits; are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits “Expected Credit Loss” calculation is made within the scope of Regulation for Provisions.

	Loans			Expected Credit Losses (Stage 2 and Stage 3)
	Impaired (TFRS9) Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	Non performing (Provision Regulation)	
Current period				
Agriculture	16.025	4.643	-	2.741
Farming and raising livestock	11.934	2.728	-	1.641
Forestry	3.728	1.424	-	878
Fishing	363	491	-	222
Manufacturing	477.252	109.173	-	79.109
Mining	186.234	1.066	-	508
Production	291.018	108.107	-	78.598
Electricity, gas, water	-	-	-	3
Construction	303.739	31.225	-	22.270
Services	270.537	93.626	-	63.108
Wholesale and retail trade	186.712	47.732	-	36.510
Hotel food, beverage services	17.881	11	-	11
Transportation and telecommunication	25.399	27.351	-	13.772
Financial institutions	-	-	-	-
Real estate and lending service	39.819	14.704	-	11.092
Self-employment service	-	-	-	-
Education service	-	3.828	-	-
Health and social services	726	-	-	1.723
Other	8.168	1.493	-	8.187
Total	1.075.721	240.160	-	175.415

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

	Loans			
	Impaired	Past Due	Value Adjustments	Provisions
Agriculture				
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	9.718	17.308	346	5.453
Mining and Quarrying	-	1.304	26	-
Production	9.718	16.004	320	5.453
Electricity, Gas and Water	-	-	-	-
Construction	5.214	10.393	208	2.023
Services	12.800	8.041	161	8.607
Wholesale and Retail Trade	12.800	5.795	116	8.607
Accommodation and Dining	-	2.246	45	-
Transportation and Telecom,	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	7.109	2.107	142	2.005
Total	34.841	37.849	857	18.088

Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	20.546	105.347	(2.115)	-	123.778
2	Stage 1 and 2 Provisions	33.964	71.272	(20.615)	-	84.621

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period
Financial Assets at Fair Value Through Profit/Loss	56
Banks	787.671
Interbank Money Market Placements	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.299.465
Financial Assets Measured at Amortised Cost	-
Loans	17.035.591
Receivables From Leasing Transactions	703.834
Other Assets	-
Total credit risk exposure of balance sheet items	19.826.617
Financial Guarantees	10.283.442
Commitments	358.815
Total credit risk exposure of off-balance sheet items	10.642.257
Total credit risk exposure	30.468.874
	Prior Period
Financial Assets at Fair Value Through Profit/Loss	37
Banks	278.581
Interbank Money Market Placements	-
Available-for-sale Financial Assets	519.454
Held-to-maturity Investments	-
Loans	11.374.744
Receivables From Leasing Transactions	372.944
Other Assets	-
Total credit risk exposure of balance sheet items	12.545.760
Financial Guarantees	6.111.538
Commitments	132.756
Total credit risk exposure of off-balance sheet items	6.244.294
Total credit risk exposure	18.790.054

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Information about credit quality per class of financial assets:

	Current Period		
	Neither past due nor impaired	Past due but not impaired	Total
Financial Assets			
Banks	787.671	-	787.671
Derivative Financial Assets	56	-	56
Loans	15.928.109	1.075.721	17.003.830
Corporate/Entrepreneurial Loans	14.319.501	1.069.764	15.389.265
Consumer Loans	1.608.608	5.957	1.614.565
Specialized Loans	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.299.465	-	1.299.465
Financial Assets at Fair Value Through Profit/Loss	-	-	-
	Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total
Financial Assets			
Banks	278.581	-	278.581
Financial Assets at Fair Value Through Profit or Loss	37	-	37
Loans	11.318.542	39.449	11.357.991
Corporate/Entrepreneurial Loans	9.952.953	37.565	9.990.518
Consumer Loans	1.365.589	1.884	1.367.473
Specialized Loans	-	-	-
Available-for-sale Financial Assets	519.454	-	519.454
Held-to-maturity Investments	-	-	-

III. EXPLANATIONS ON COUNTER-CYCLICAL CAPITAL BUFFER CALCULATIONS RISK

Country name	RWA for banking accounts	RWA for trading accounts	TOTAL
Saudi Arabia	868	-	868

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2018 the Bank does not have any receivables from abroad apart from the Banks, however the Bank discretely uses the uppermost ratio determined by BRSA, which is 0%. The geographical distribution of receivables from the private sector taken into account in the calculation of the bank-specific counter-cyclical capital buffer is described in the following table:

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

IV. EXPLANATIONS ON THE CURRENCY RISK

a) Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors

The Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, “Value at Risk” (“VAR”) is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

Moreover, dealer’s positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

c) Foreign currency risk policy:

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at USD and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

d) Current foreign exchange bid rates of the Bank for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
25.12.2018	5,2800	5,9968	3,7037	0,8021	0,5780	5,3275	3,8461	0,5986	6,6953	1,3966	4,7410
26.12.2018	5,2713	5,9995	3,7002	0,7996	0,5759	5,3004	3,8369	0,5947	6,6695	1,3944	4,7480
27.12.2018	5,2822	6,0305	3,6969	0,8040	0,5826	5,3514	3,8325	0,5978	6,6660	1,3973	4,7220
28.12.2018	5,2538	6,0137	3,6843	0,8016	0,5836	5,3470	3,8133	0,6013	6,6495	1,3898	4,7160
31.12.2018	5,2780	6,0320	3,7008	0,8040	0,5867	5,3379	3,8309	0,6035	6,7408	1,3964	4,7480

e) Simple arithmetic average of the Bank’s current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
5,2980	6,0268	3,7787	0,8036	0,5833	5,3314	3,9042	0,6106	6,7017	1,4015	4,6771

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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Information on the foreign currency risk of the Bank:

Current Period	EUR	USD	Other FC (****)	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	375.385	1.016.488	281.630	1.673.503
Banks	595.833	56.725	130.178	782.736
Financial assets at fair value through profit and loss (****)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	121.017	-	-	121.017
Loans (*)	4.203.443	2.205.580	-	6.409.023
Equity Investments	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	60	477	2.154	2.691
Total assets (****)	5.295.738	3.279.270	413.962	8.988.970
Liabilities				
Current account and funds collected from Banks via participation accounts	300	5.608	-	5.908
Current and profit sharing accounts FC	2.840.290	3.649.523	406.829	6.896.642
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.168.844	801.285	-	1.970.129
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	28.957	17.607	-	46.564
Total liabilities (****)	4.038.391	4.474.023	406.829	8.919.243
Net balance sheet position	1.224.053	(1.200.055)	7.133	31.131
Net off-balance sheet position (****)	(1.232.487)	1.242.597	-	10.110
Financial derivative assets	-	1.242.597	-	1.242.597
Financial derivative liabilities	(1.232.487)	-	-	(1.232.487)
Non-cash loans	3.145.078	2.996.581	71.542	6.213.201
Prior Period				
Total assets	2.527.292	2.684.690	158.015	5.369.997
Total liabilities	1.881.951	3.284.917	154.986	5.321.854
Net balance sheet position	645.341	(600.227)	3.029	48.143
Net off-balance sheet position	(634.634)	629.444	-	(5.190)
Financial derivative assets	-	629.444	-	629.444
Financial derivative liabilities	634.634	-	-	634.634
Non-cash loans	1.604.487	1.294.816	38.860	2.938.163

(*) TL 377.117 equivalent of USD loans, and TL 858.024 equivalent of EUR loans are originated from foreign currency indexed loans and financial leasing.

(****) Indicates the net balance of receivables and payables on derivative financial instruments.

(****) In accordance with the principles of the “Regulation on Measurement and Practices of Banks’ Net Overall FC Position/Shareholders’ Equity Ratio on a Consolidated and Unconsolidated Basis”, Foreign Currency Expense Accruals of Derivative Financial Assets TL 56 and Derivative Financial Liabilities TL 6.145 are not included.

(****) Of the foreign currencies presented in the other foreign currency column of assets 94% is Gold, 2% is GBP and remaining 2% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 96% is Gold, 2% is GBP and the remaining 2% is other foreign currencies.

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V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 7.897 all of which are 100% risk weighted (31 December 2017: TL 7.181).

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of “Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management”.

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank’s liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on weekly unconsolidated basis in accordance with “Regulation for Regulation on Banks’ Liquidity Coverage Ratio Calculation” issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

1) LIQUIDITY RISK:

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank’s Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to be paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:

Although Bank’s assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

c) Evaluation of the banks cash flow rates and its sources:

The banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank’s resource needs.

2) Liquidity Coverage Ratio:

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank’s net cash outflow, calculated within the scope of “Calculation of The Liquidity Coverage Ratio” regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank’s asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

Bank’s premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey’s Treasury along with cash assets and care of Central Bank of the Republic of Turkey’s accounts.

Bank’s principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank’s main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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

Current Period	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.811.586	1.600.247	2.811.586	1.600.247
High quality liquid assets	-	-	2.811.586	1.600.247
CASH OUTFLOWS	22.228.336	10.520.373	5.710.025	3.129.897
Real person deposits and retail deposits	7.500.634	3.492.136	684.961	349.214
Stable deposit	1.302.045	-	65.102	-
Deposit with low stability	6.198.589	3.492.136	619.859	349.214
Unsecured debts except real person deposits and retail deposits	7.055.132	3.537.075	3.904.431	1.904.188
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.055.132	3.537.075	3.904.431	1.904.188
Secured debts	-	-	-	-
Other cash outflows	7.672.570	3.491.162	1.120.633	876.495
Derivative liabilities and margin obligations	682.458	653.705	682.458	653.705
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	346.475	323.667	105.993	97.100
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.643.637	2.513.790	332.182	125.690
TOTAL CASH OUTFLOW	-	-	5.710.025	3.129.897
CASH INFLOWS	4.356.139	2.131.504	3.535.259	2.005.171
Secured receivables	-	-	-	-
Unsecured claims	3.667.131	1.458.629	2.846.250	1.332.297
Other cash inflows	689.008	672.874	689.008	672.874
TOTAL CASH INFLOWS	4.356.139	2.131.503	3.535.258	2.005.171
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.811.587	1.600.246
TOTAL NET CASH OUTFLOWS	-	-	2.174.767	1.124.726
LIQUIDITY COVERAGE RATIO (%)	-	-	129	142

^(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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Prior Period	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.018.345	1.283.032	2.018.345	1.283.032
High quality liquid assets	-	-	2.018.345	1.283.032
CASH OUTFLOWS	13.514.181	5.333.357	3.430.342	1.768.038
Real person deposits and retail deposits	4.591.572	1.821.619	420.669	182.162
Stable deposit	769.765	-	38.488	-
Deposit with low stability	3.821.807	1.821.619	382.181	182.162
Unsecured debts except real person deposits and retail deposits	4.153.603	1.651.717	2.238.483	966.394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4.153.603	1.651.717	2.238.483	966.394
Secured debts	-	-	-	-
Other cash outflows	4.769.006	1.860.021	771.190	619.482
Derivative liabilities and margin obligations	526.520	520.140	526.520	520.140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130.168	129.394	39.054	38.818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4.112.318	1.210.487	205.616	60.524
TOTAL CASH OUTFLOW	-	-	3.430.342	1.768.038
CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Secured receivables	-	-	-	-
Unsecured claims	1.700.461	584.029	1.339.730	573.052
Other cash inflows	525.472	507.453	525.472	507.453
TOTAL CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.018.345	1.283.032
TOTAL NET CASH OUTFLOWS	-	-	1.565.140	687.533
LIQUIDITY COVERAGE RATIO (%)	-	-	129	187

^(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	357.861	1.649.452	-	-	-	-	-	2.007.313
Banks	787.671	-	-	-	-	-	-	787.671
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	669	5.592	144.649	1.148.555	-	4.897	1.304.362
Loans Given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	350.032	350.032
Total Assets	1.145.532	4.162.058	1.482.584	4.985.591	8.662.267	1.395.842	354.929	22.188.803
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.521	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.882
Funds Provided from Other Financial Instruments	-	1.160.235	1.485.067	574.655	141.917	-	-	3.361.874
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities *	-	-	-	-	-	-	2.811.417	2.811.417
Total Liabilities	2.381.439	11.508.446	3.757.211	1.581.021	149.269	-	2.811.417	22.188.803
Liquidity Gap	(1.235.907)	(7.346.388)	(2.274.627)	3.404.570	8.512.998	1.395.842	(2.456.488)	-

^(*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Prior Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323.220	1.320.469	-	-	-	-	-	1.643.689
Banks	278.581	-	-	-	-	-	-	278.581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2.462	-	2.406	61.297	453.289	-	4.719	524.173
Loans Given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	155.975	8.934	515	3.174	280.271	80.050	-	528.919
Total Assets	760.275	2.773.702	844.683	2.935.363	5.945.583	1.085.818	4.719	14.350.143
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	339	5.007	-	-	-	-	-	5.346
Current and Participation Accounts	1.650.828	6.769.575	1.248.662	346.236	3.948	-	-	10.019.249
Funds Provided from Other Financial Instruments	-	628.415	539.900	1.244.308	194.491	-	-	2.607.114
Money Market Borrowings	-	32.462	-	-	-	-	-	32.462
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	35.716	35.716
Other Liabilities ^(*)	-	-	-	-	-	-	1.650.256	1.650.256
Total Liabilities	1.651.167	7.435.459	1.788.562	1.590.544	198.439	-	1.685.972	14.350.143
Liquidity Gap	(890.892)	(4.661.757)	(943.879)	1.344.819	5.747.144	1.085.818	(1.681.253)	-

^(*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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

Presentation of Liabilities According to Their Remaining Maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	26.165	20.051	-	-	-	46.216
Other deposits	11.839.070	2.252.094	1.006.366	7.352	-	15.104.882
Funds borrowed from other financial institutions	1.160.235	1.485.067	574.655	141.917	-	3.361.874
Funds borrowed from Interbank money market	864.414	-	-	-	-	864.414
Total	13.889.884	3.757.212	1.581.021	149.269	-	19.377.386
Prior Period						
Bank Deposits	5.007	-	-	-	-	5.007
Other Deposits	6.769.575	1.248.662	346.236	3.948	-	8.368.421
Funds borrowed from other financial institutions	628.415	539.900	1.244.308	194.491	-	2.607.114
Funds borrowed from Interbank Money market	32.462	-	-	-	-	32.462
Total	7.435.459	1.788.562	1.590.544	198.439	-	11.013.004

VII. EXPLANATIONS ON LEVERAGE RATIO

As of December 31, 2018, the leverage ratio of the Bank calculated from the average of three months is 6,1%. (31 December 2017: 6,6%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Leverage ratio disclosure as follows:

Balance sheet assets	Current Period ^(*)	Prior Period
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	21.113.586	13.721.862
(Assets deducted from main capital)	(99.706)	(81.514)
Total risk amount of the balance sheet assets	21.013.880	13.640.348
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11.550	630
Potential credit risk amount of derivative financial instruments and credit derivatives	13.565	6.357
Total risk amount of derivative financial instruments and credit derivative	25.115	6.987
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	36.567	160.316
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	36.567	160.316
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	11.021.090	6.207.549
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	11.021.090	6.207.549
Equity and total risk		
Main capital	1.970.244	1.318.315
Total risk amount	32.096.652	20.015.200
Leverage ratio		
Leverage ratio	6,1	6,6

(*) Amounts in the table are obtained on the basis of three-month weighted average.

VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

IX. EXPLANATIONS ON RISK MANAGEMENT

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

Within the scope of risk management, there are many risks that affect our bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers’ financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

1. Explanations on Risk Management and Risk-weighted Assets:

a) Overview of Risk-weighted Assets

	Overview of RWA	Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	15.955.856	9.308.304	1.276.468
2	Standardized approach (SA)	15.955.856	9.308.304	1.276.468
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	204.871	5.091	16.390
5	Standardized approach for counterparty credit risk (SA-CCR)	204.871	5.091	16.390
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	129.986	44.918	10.399
17	Standardized approach (SA)	129.986	44.918	10.399
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk ^(*)	491.392	285.210	39.311
20	Basic Indicator Approach	491.392	285.210	39.311
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	16.782.105	9.643.523	1.342.568

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

2. Linkages Between Financial Statements and Regulatory Exposures

a) 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				
	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	2.007.313	2.007.313	-	1.673.503	-
Financial assets held for trading	56	-	56	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	787.671	787.671	-	782.736	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	1.303.187	1.303.187	973.937	121.017	-
Loans and receivables	17.035.591	17.035.591	-	4.969.829	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	100	100	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	703.834	703.834	-	204.053	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	52.116	33.707	-	-	18.408
Intangible assets (net)	80.396	-	-	-	80.396
Investment properties (net)	-	-	-	-	-
Tax assets	49.870	49.870	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	4.259	4.259	-	-	-
Other assets	164.410	164.410	-	2.691	-
Total Assets	22.188.803	22.089.942	973.993	7.753.829	98.804
Liabilities					
Deposits	15.151.098	-	-	6.902.550	-
Derivative financial liabilities held for trading	6.145	-	-	6.145	-
Loans	3.361.874	-	-	1.970.129	-
Debt to money markets	864.414	-	864.414	-	-
Debt securities in issue	-	-	-	-	-
Funds	-	-	-	-	-
Various Debts	-	-	-	-	-
Other Debts	400.335	-	-	32.133	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	415	-	-	415	-
Derivative financial liabilities held for hedge	-	-	-	-	-
Provisions	131.964	-	-	14.016	-
Tax liability	53.974	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Equity	2.218.584	-	-	-	-
Total Liabilities	22.188.803	-	864.414	8.925.388	-

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

2. Linkages Between Financial Statements and Regulatory Exposures

b) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Total	Items subject to credit risk framework	Securitisation Position	Items subject to counterparty credit risk framework	Items subject to market risk framework
Asset carrying value amount under scope of regulatory consolidation	22.188.803	22.089.942	-	979.993	7.753.829
Liabilities carrying value amount under regulatory scope of consolidation	864.414	-	-	864.414	-
Total net amount under regulatory scope of consolidation	21.324.389	22.089.942	-	109.579	-
Off-balance sheet amounts	10.961.503	10.554.193	-	407.310	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-	-

3. Explanations on Credit Risk

3.1) General information about credit risk

a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank’s assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of our bank. Taking into consideration the risk appetite of our bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank’s strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank’s strategies and targets.

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/ Amortization and impairment	Net value
Loans	240.160	17.707.664	123.778	17.824.046
Debt instruments	-	1.335.442	35.977	1.299.465
Off-balance sheet receivables	-	10.554.193	-	10.554.193
Total	240.160	29.597.299	159.755	29.677.704

⁹⁾ Financial Lease amount of TL 703.834 is included to the table.

c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount	34.841
2	Default credits and debt instruments since the last reporting period	205.319
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	240.160

d) Additional disclosures about the credit quality of assets

i. 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 and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the “Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be Made”.

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

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

iii. Definitions of methods used when setting the allowance

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required.

iv. The Banks own definition of a restructured exposure

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

Current period	Loans			Provisions for Expected Credit Losses
	Significant Increase in credit risk (Stage 2)	Impaired (IFRS 9) Defaulted (Stage 3)	Non performing (Provision Regulations)	
Domestic	1.075.721	240.160	240.160	207.628
EU countries	-	-	-	16
USA, Canada	-	-	-	6
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	749
Total	1.075.721	240.160	240.160	208.399

Prior Period	Loans and Receivables	Non Performing Loans	Special Provisions	Total
Domestic	11.282.385	34.841	18.088	11.299.138
EU countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	75.606	-	-	75.606
Total	11.357.991	34.841	18.088	11.374.744

Current period	Loans	Non performing loans	Expected Loss Provision	Total
Agriculture	319.891	4.643	3.183	321.351
Farming and Stockbreeding	245.851	2.728	2.006	246.573
Forestry	66.108	1.424	943	66.589
Fishery	7.932	491	234	8.189
Manufacturing	7.204.630	109.173	95.316	7.218.487
Mining and Quarrying	954.611	1.066	1.512	954.165
Production	5.977.816	108.107	92.741	5.993.182
Electricity, Gas and Water	272.203	-	1.063	271.140
Construction	3.139.236	31.225	30.409	3.140.052
Services	5.337.892	93.626	68.089	5.363.429
Wholesale and Retail Trade	2.046.400	47.732	39.437	2.054.695
Accommodation and Dining	55.775	11	105	55.681
Transportation and Telecom	289.081	27.351	14.350	302.082
Financial Institutions	-	-	-	-
Real Estate and Rental Services	2.841.458	14.704	12.079	2.844.083
Professional Services	-	-	-	-
Educational Services	56.091	3.828	244	59.675
Health and Social Services	49.087	-	1.874	47.213
Other	1.706.015	1.493	11.402	1.696.106
Total	17.707.664	240.160	208.399	17.739.425

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Prior Period	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	207.642	-	-	207.642
Farming and Stockbreeding	150.319	-	-	150.319
Forestry	52.615	-	-	52.615
Fishery	4.708	-	-	4.708
Manufacturing	4.477.817	9.718	5.453	4.482.082
Mining and Quarrying	286.181	-	-	286.181
Production	4.026.740	9.718	5.453	4.031.005
Electricity, Gas and Water	164.896	-	-	164.896
Construction	1.501.198	5.214	2.023	1.504.389
Services	3.505.472	12.800	8.607	3.509.665
Wholesale and Retail Trade	1.402.871	12.800	8.607	1.407.064
Accommodation and Dining	74.150	-	-	74.150
Transportation and Telecom	427.308	-	-	427.308
Financial Institutions	-	-	-	-
Real Estate and Rental Services	1.461.198	-	-	1.461.198
Professional Services	-	-	-	-
Educational Services	34.531	-	-	34.531
Health and Social Services	105.414	-	-	105.414
Other	1.665.862	7.109	2.005	1.670.966
Total	11.357.991	34.841	18.088	11.374.744

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Current Period								
Loans given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Prior Period								
Loans given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744

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

vi. Aging analysis for past due receivables

Past due but not impaired loans aging analysis based on credit class as follows:

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneurial Loans	18.749	40.987	23.551	83.287
Consumer loans	598	113	72	783
Total	19.347	41.100	23.623	84.070

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 991.651.

Previous Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables				
Corporate/Entrepreneurial Loans	35.808	7.192	4.553	47.553
Consumer loans	1.429	801	-	2.230
Total	37.237	7.993	4.553	49.783

3.2) Credit risk mitigation

a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the bank’s lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not subjected as collateral.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

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

b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	16.386.570	1.437.476	998.648	1.283.498	894.287	-	-
Debt instruments	1.299.465	-	-	-	-	-	-
Total	17.686.035	1.437.476	998.648	1.283.498	894.287	-	-
Default	240.160	-	-	-	-	-	-

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	9.934.785	1.812.904	971.403	1.390.238	914.450	-	-
Debt instruments	516.992	-	-	-	-	-	-
Total	10.451.777	1.812.904	971.403	1.390.238	914.450	-	-
Default	34.841	-	-	-	-	-	-

3.3) Credit risk under standardized approach

a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial, Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

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b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	2.612.856	-	3.451.564	71.177	174.574	5%
Exposures to regional governments or local authorities	-	-	55.579	2.385	28.982	50%
Exposures to public sector entities	7.404	1.225	7.404	593	5.385	67%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	2.370.125	35.825	2.370.125	20.777	744.095	31%
Exposures to corporates	7.684.267	9.326.942	7.023.006	6.463.958	13.174.921	98%
Retail exposures	975.118	900.221	742.092	375.289	818.025	73%
Exposures secured by residential property	993.258	9.770	993.258	4.773	349.746	35%
Exposures secured by commercial Real Estate	796.892	203.081	796.893	140.142	468.517	50%
Past-due loans	91.375	-	91.375	-	82.871	91%
Higher-risk categories by the Agency Board	30.164	-	30.164	-	45.246	150%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	116.655	-	116.655	-	63.494	54%
Investments in equities	-	-	-	-	-	0%
Total	15.678.114	10.477.064	15.678.115	7.079.094	15.955.856	68%

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate)	50% (secured by real estate)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	3.173.593	-	-	-	-	349.148	-	-	-	-	-	3.522.741
Exposures to regional governments or local authorities	-	-	-	-	-	57.964	-	-	-	-	-	57.964
Exposures to public sector entities	2.612	-	-	-	-	-	-	5.385	-	-	-	7.997
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1.514.068	-	-	871.106	-	5.728	-	-	-	2.390.902
Exposures to corporates	95.375	-	87.069	-	-	294.026	-	13.010.494	-	-	-	13.486.964
Retail exposures	17.925	-	10.719	-	-	2.686	1.086.051	-	-	-	-	1.117.381
Exposures secured by residential property	-	-	-	995.131	-	2.900	-	-	-	-	-	998.031
Exposures secured by commercial real estate	-	-	-	-	937.035	-	-	-	-	-	-	937.035
Past-due loans	159	-	-	-	-	16.689	-	74.527	-	-	-	91.375
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	30.164	-	-	30.164
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	53.161	-	-	-	-	-	-	63.494	-	-	-	116.655
Total	3.342.825	-	1.611.856	995.131	937.035	1.594.519	1.086.051	13.159.628	30.164	-	-	22.757.209

X. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives' offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexness of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Bank, TL and FC liquidity risks are limited due to the committed transactions.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

4) Credit Risks under the IRB (based on internal ratings)

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly, semi annually and annually basis have not been presented since the Bank use the standard approach as of 30 September 2018 for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (“DP”)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (“CRR”) on the Risk Weighted Amounts (“RWA”)

The conversion table of the RWA under the approach of IRB

IRB - Backtesting every Default Probability (“DP”) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of management of counterparty credit risk; monitoring and control functions of the counterparty credit risk in line with the structure, size and complexity of the products and activities of the counterparty.

The counterparty of the counterparty will ensure that the credit risk level is above the minimum limits set in the legal regulations style directing is essential.

Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable, In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of Bank’s compliance level with allocated limits is done.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Evaluation of counterparty credit risk according to measurement methods

		Replacement cost	Potential future exposure	EEPE ^(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (For Derivatives)	574	12.486		1,4	13.060	6.396
2	Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					973.937	194.787
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						201.183

^(*) Effective expected position amount

c) Capital requirement for loan valuation adjustments

		EAD post-CRM	Risk Weighted Amounts
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardized CVA capital charge	13.060	3.688
4	Total subject to the CVA capital charge	13.060	3.688

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk ^(*)
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
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	-	-	974.385	12.612	-	-	-	-	201.183
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
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	-	-	974.385	12.612	-	-	-	-	201.183

^(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

e) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

f) Collaterals for counterparty credit risk

	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	864.414	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	973.937
Total	-	-	-	-	864.414	973.937

g) Credit Derivatives

None.

h) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

i) Risks to the Central Counterparty

None.

5. Securitization Explanations

As of 31 December 2018, there is no securitization position in the Bank (31 December 2017: None).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

6. Explanations on Market risk

a) Qualitative information to be disclosed to the public regarding market risk

The Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk,

In the Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Bank's strategic decision-making process.

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.

Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Standard Approach

		Risk Weighted Amounts
	Outright products	-
1	Interest rate risk (general and specific)	48.100
2	Equity risk (general and specific)	-
3	Foreign exchange risk	81.886
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	Total	129.986

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly basis have not been presented as of 31 December 2018 since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	31.12.2015	31.12.2016	31.12.2017	Total/Number of positive gross income years	Rate (%)	Total
Gross income	71.409	232.815	482.004	262.076	15	39.311
Amount subject to Operational Risk	-	-	-	-	-	491.392

XII. EXPLANATIONS ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	191.401	1.661.127	174.023	64.006	2.090.557
Profit Shares from Loans	191.401	1.661.127	-	-	1.852.528
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	136.942	-	136.942
Other Profit Shares	-	-	37.081	64.006	101.087
Profit Shares Expense	556.583	535.822	227.310	8	1.319.723
Profit Shares Expense on Participation Funds	556.583	535.822	6.838	-	1.099.243
Profit Shares Expense on Funds Borrowed	-	-	195.671	-	195.671
Profit Shares Expense on Money Market Transactions	-	-	24.801	-	24.801
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	8	8
Net Profit Shares Income/Expense	(365.182)	1.125.305	(53.287)	63.998	770.834
Net Fees and Commission Income/Expense	9.699	66.607	-	(15.579)	60.727
Fees and Commissions Received	9.699	66.607	-	7.967	84.273
Fees and Commissions Paid	-	-	-	23.546	23.546
Personnel Expenses	-	-	-	123.973	123.973
Dividend Income	-	-	177	-	177
Trading Income/Loss (Net)	-	-	57.781	-	57.781
Other Operating Income	-	64	-	80.148	80.212
Provision for Loans or Other Receivables Losses	24.413	213.567	-	18.041	256.021
Other Operating Expense	-	251	-	174.937	175.188
Income Before Tax	(379.896)	978.158	4.671	(188.384)	414.549
Tax Provision	-	-	-	(91.884)	(91.884)
Net Profit/Loss	(379.896)	978.158	4.671	(280.268)	322.665
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	787.671	-	787.671
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	1.304.362	-	1.304.362
Loans	1.614.565	14.124.399	2.000.461	-	17.739.425
Financial Assets Measured at Amortised Cost	-	-	-	-	-
Derivative Financial Assets	-	-	56	-	56
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets	-	-	-	2.357.189	2.357.189
Total Segment Assets	1.614.565	14.124.399	4.092.650	2.357.189	22.188.803
SEGMENT LIABILITIES					
Funds Collected	10.471.740	4.679.358	-	-	15.151.098
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	3.361.874	-	3.361.874
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	131.964	131.964
Other Liabilities	-	-	-	454.724	454.724
Shareholders' Equity	-	-	-	2.218.584	2.218.584
Total Segment Liabilities	10.471.740	4.679.358	4.232.433	2.805.272	22.188.803

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
Prior Period					
OPERATING INCOME/EXPENSE					
Profit Shares Income	127.919	757.833	65.030	30.610	981.392
Profit Shares from Loans	127.919	757.833	-	-	885.752
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	48.634	-	48.634
Other Profit Shares	-	-	16.396	30.610	47.006
Profit Shares Expense	187.203	283.549	67.554	-	538.306
Profit Shares Expense on Participation Funds	187.203	283.549	382	-	471.134
Profit Shares Expense on Funds Borrowed	-	-	64.114	-	64.114
Profit Shares Expense on Money Market Transactions	-	-	3.058	-	3.058
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(59.284)	474.284	(2.524)	30.610	443.086
Net Fees and Commission Income/Expense	2.000	35.266	-	(6.923)	30.343
Fees and Commissions Received	2.000	35.266	-	8.477	45.743
Fees and Commissions Paid	-	-	-	15.400	15.400
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	11.556	-	11.556
Other Operating Income	-	2	-	2.661	2.663
Provision for Loans or Other Receivables Losses	9.420	61.562	-	19.161	90.143
Other Operating Expense	-	366	-	197.165	197.531
Income Before Tax	(66.704)	447.624	9.032	(189.978)	199.974
Tax Provision	-	-	-	(41.072)	(41.072)
Net Profit/Loss	(66.704)	447.624	9.032	(231.050)	158.902
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	37	-	37
Banks and Other Financial Institutions	-	-	278.581	-	278.581
Financial Assets Available for Sale (Net)	-	-	524.173	-	524.173
Loans	1.367.454	8.891.170	1.116.120	-	11.374.744
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets	-	-	-	2.172.508	2.172.508
Total Segment Assets	1.367.454	8.891.170	1.919.011	2.172.508	14.350.143
SEGMENT LIABILITIES					
Funds Collected	6.370.882	3.653.713	-	-	10.024.595
Derivative Financial Liabilities Held for Trading	-	-	6.280	-	6.280
Funds Borrowed	-	-	2.607.114	-	2.607.114
Money Market Funds	-	-	32.462	-	32.462
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	142.290	142.290
Other Liabilities	-	-	-	133.721	133.721
Shareholders' Equity	-	-	-	1.403.681	1.403.681
Total Segment Liabilities	6.370.882	3.653.713	2.645.856	1.679.692	14.350.143

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

a) Information regarding the fair value of financial assets and liabilities:

Current Period	Book Value	Fair Value
Financial Assets	19.831.458	19.831.458
Due from Interbank Money Market	-	-
Banks	787.671	787.671
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.304.362	1.304.362
Financial Assets Measured at Amortised Cost	-	-
Loans	17.739.425	17.739.425
Financial Liabilities	18.595.219	18.595.219
Bank Deposits	46.216	46.216
Other Deposits	15.104.882	15.104.882
Funds Borrowed from Other Financial Institutions	3.361.874	3.361.874
Issued Marketable Securities	-	-
Miscellaneous Payables	82.247	82.247
Prior Period	Book Value	Fair Value
Financial Assets	12.177.498	12.177.498
Due from Interbank Money Market	-	-
Banks	278.581	278.581
Available-for-sale Financial Assets	524.173	524.173
Held-to-maturity Investments	-	-
Loans	11.374.744	11.374.744
Financial Liabilities	12.667.425	12.667.425
Current account and funds collected from banks via participation accounts	5.346	5.346
Other current and profit sharing accounts	10.019.249	10.019.249
Funds Borrowed from Other Financial Institutions	2.607.114	2.607.114
Issued Marketable Securities	-	-
Miscellaneous Payables	35.716	35.716

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist of short term transactions.

Market price differences are considered on determining the available for sale financial assets book value and fair value. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of loans and other deposits represent the sum of the acquisition cost and accumulated profit share accruals.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	56	-	56
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	56	-	56
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.178.448	121.017	-	1.299.465
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	1.178.448	121.017	-	1.299.465
Total Assets	1.178.448	121.073	-	1.299.521
Trading Derivative Financial Liabilities	-	6.145	-	6.145
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	6.145	-	6.145
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	37	-	37
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	37	-	37
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	511.742	7.712	-	519.454
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	511.742	7.712	-	519.454
Total Assets	511.742	7.749	-	519.491
Trading Derivative Financial Liabilities	-	6.280	-	6.280
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	6.280	-	6.280

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

The Bank does not provide trading, custody and fund management services on behalf of and account of the customers. The Bank does not make any lenient transaction contracts.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign Currency	22.196	30.965	18.236	22.888
Central Bank of the Republic of Turkey	311.614	1.642.538	287.567	1.314.998
Other	-	-	-	-
Total	333.810	1.673.503	305.803	1.337.886

1.a.1) Information on required reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; according to CBRT's Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	299.510	5.190	282.078	18
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	12.104	1.637.348	5.489	1.314.980
Total	311.614	1.642.538	287.567	1.314.998

⁽¹⁾ TL 731.486 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2017: TL 659.896).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

2. a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	4.935	620.370	3.320	210.669
Foreign Banks	-	162.366	-	64.592
Foreign Head Office and Branches	-	-	-	-
Total	4.935	782.736	3.320	275.261

b) Information on foreign banks accounts:

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	115.192	58.968	-	-
USA, Canada	43.985	3.983	-	-
OECD Countries ⁽¹⁾	1.205	709	-	-
Off-shore Banking Regions	-	-	-	-
Other	1.984	932	-	-
Total	162.366	64.592	-	-

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

3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period
Assets Subject to Repurchase Agreements	834.371
Assets Blocked/Given as Collateral	79.527
Total ^(*)	913.898

^(*) Accruals and provisions for impairment are not included.

Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Prior Period
Assets Subject to Repurchase Agreements	33.531
Assets Blocked/Given as Collateral	459.837
Total ^(*)	493.368

^(*) Accruals and provisions for impairment are not included.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

a) Information on on financial assets at fair value through other comprehensive income:

	Current Period
Debt Securities	1.335.442
Quoted in Stock Exchange	1.211.803
Not Quoted in Stock Exchange	123.640
Share Certificates	4.897
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange ^(*)	4.897
Provision for Impairment (-)	35.977
Total	1.304.362

^(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.987.

Information on available for sale financial assets:

	Prior Period
Debt Securities	527.845
Quoted in Stock Exchange	520.133
Not Quoted in Stock Exchange	7.712
Share Certificates	4.719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange ^(*)	4.719
Provision for Impairment (-)	8.391
Total	524.173

^(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.719.

4. Financial assets measured at amortized cost:

a) Explanations on comparative net values of information regarding the repurchase and sale transactions and blocked/blocked receivables:

As of 31 December 2018, there are no financial assets at fair value through profit or loss subject to repo transactions or given as collateral/blocked (31 December 2017: None).

b) Information on government debt securities measured at amortized cost:

As of 31 December 2018, there are no government debt securities measured at amortized cost.

b.1) Information on government debt securities held to maturity:

As of 31 December 2017, there are no government debt securities held to maturity.

c) Information on financial assets measured at amortized cost:

As of 31 December 2018, there are no financial assets measured at amortized cost.

c.1) Information on financial assets held to maturity:

As of 31 December 2017, there are no financial assets held to maturity.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

5. Information on derivative financial assets

a) Information on derivative assets at fair value through profit or loss:

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	13	43
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	13	43

b) Positive differences related to the derivative financial assets held-for-trading:

	Prior Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	33	4
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	33	4

6. Expected Loss Provisions:

As of 31 December 2018, the amount of expected loss provisions (Stage 1) for financial assets shown in the balance sheet is TL 1.175.

7. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1.973.285	-	759.146	-
<i>Corporate Shareholders</i>	1.973.285	-	759.146	-
<i>Real Person Shareholders</i>	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2.513	-	1.112	-
Total ^(*)	1.975.798	-	760.258	-

^(*) In cludes rediscount amounts.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

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

Cash Loans Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Export Loans	919.989	19.615	-	-
Import Loans	132.346	5.140	-	-
Commercial Loans	10.227.864	686.133	158.827	-
Consumer Loans	1.600.211	5.808	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	2.000.462	-	-	-
Other	-	-	-	-
Other Receivables	535.613	33.084	-	-
Profit Share Income Accruals	511.624	70.419	3.234	-
Total	15.928.109	820.199	162.061	-

As of 31 December 2018, there are no loans and other receivables with revised contract terms (31 December 2017: None).

General Provision	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	32.984	-
Significant Increase in Credit Risk	-	51.637

No. of extensions	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended	-	162.061
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	162.061

Extension Periods	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
0 - 6 Months	-	68.208
6 Months - 12 Months	-	27.240
1 - 2 Years	-	38.018
2 - 5 Years	-	28.595
5 Years and Over	-	-
Total	-	162.061

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables Under Close Monitoring ⁽¹⁾	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and Receivables not subject to restructuring	Restructured Loans and receivables
Short term loans	7.727.182	-	234.398	32.461
Medium and Long-term loans	7.689.303	-	767.670	129.600

⁽¹⁾ TL 585.277 accrual and rediscount amounts are not included related to loans in the table.

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables Under Close Monitoring ⁽¹⁾	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and other receivables	Loans and other receivables with revised contract terms
Short term loans and other receivables	4.515.890	-	11.877	-
Loans	4.515.890	-	11.877	-
Other Receivables	-	-	-	-
Medium and Long-term loans and other receivables	6.439.420	-	25.972	-
Loans	6.439.420	-	25.972	-
Other receivables	-	-	-	-

⁽¹⁾ TL 364,832 accrual and rediscount amounts are not included related to loans in the table.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.966	1.598.554	1.603.520
Real Estate Loans	1.203	1.453.270	1.454.473
Vehicle Loans	1.665	86.199	87.864
Consumer Loans	2.098	59.085	61.183
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	230	2.269	2.499
Housing Loans	-	-	-
Vehicle Loans	-	102	102
Consumer Loans	230	2.167	2.397
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	5.196	1.600.823	1.606.019

(*) Dividend rediscount amounting to TL 8.546 not included in the table.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	2.911	1.358.103	1.361.014
Real Estate Loans	1.016	1.242.469	1.243.485
Vehicle Loans	1.433	56.849	58.282
Consumer Loans	462	58.785	59.247
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	42	1.070	1.112
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1.051	1.093
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	2.953	1.359.173	1.362.126

(*) Dividend rediscount amounting to TL 5.347 not included in the table.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

e) Information on installment commercial loans and corporate credit cards:

Current Period	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	63.605	185.523	249.128
Business Loans	16.487	25.816	42.303
Vehicle Loans	47.118	159.707	206.825
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	46.410	46.410
Business Loans	-	-	-
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	407	19.046	19.453
With Installment	-	-	-
Without Installment	407	19.046	19.453
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	64.012	250.979	314.991

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

e) Information on installment commercial loans and corporate credit cards:

Prior Period	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	29.835	175.252	205.087
With Installment	-	23.544	23.544
Without Installment	29.835	151.708	181.543
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans-Indexed to FC	7.847	43.694	51.541
With Installment	-	-	-
Without Installment	7.847	43.694	51.541
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	37.682	218.946	256.628

f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	279.744	758.279
Private	16.138.809	10.234.880
Profit Share Income Accruals and Rediscount	585.277	364.832
Total	17.003.830	11.357.991

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	16.388.393	10.917.553
Foreign Loans	30.160	75.606
Profit Share Income Accruals of Loans	585.277	364.832
Total	17.003.830	11.357.991

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

h) Loans Granted to subsidiaries and participations:

As of 31 December 2018, the bank has no loans granted to subsidiaries and participations (31 December 2017: None).

i) Credit-Impaired Losses (Stage 3/Specific Provision):

	Current Period
Loans and receivables with limited collectability	70.765
Loans and receivables with doubtful collectability	18.390
Uncollectible loans and receivables	34.623
Total	123.778

Specific provision provided for loans:

	Prior Period
Loans and receivables with limited collectability	1.449
Loans and receivables with doubtful collectability	2.866
Uncollectible loans and receivables	13.773
Total	18.088

j) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	10.684	10.397	1.550	1.508
1-5 year	551.183	471.225	290.718	248.978
More than 5 years	282.163	222.212	187.183	122.458
Total	844.030	703.834	479.451	372.944

k) Information on non-performing receivables (net):

k.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2018 the bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

k.2) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	7.584	9.562	17.695
Additions in the current period (+)	215.020	3.315	6.301
Transfers from other categories of non-performing loans (+)	-	47.290	23.872
Transfers to other categories of non-performing loans (-)	47.290	23.872	-
Collections in the current period (-)	14.423	894	4.000
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	160.891	35.401	43.868
Expected Loss Provision (Stage 3)	70.765	18.390	34.623
Net balance at the balance sheet	90.126	17.011	9.245

k.3) Information on foreign currency non-performing loans:

As of 31 December 2018, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2017: None).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

l) Gross and net amounts of non-performing receivables according to user groups:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	90.126	17.011	9.245
Loans to Real Persons and Legal Entities (Gross)	160.891	35.401	43.868
Specific Provisions (-)	70.765	18.390	34.623
Loans to Real Persons and Legal Entities (Net)	90.126	17.011	9.245
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	6.135	6.696	3.922
Loans to Real Persons and Legal Entities (Gross)	7.584	9.146	17.695
Specific Provisions (-)	1.449	2.450	13.773
Loans to Real Persons and Legal Entities (Net)	6.135	6.696	3.922
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	416	-
Specific Provisions (-)	-	416	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Period End Balance			
Profit Share Accrual and Valuation Differences Provision	1.667	1.989	3.215
Provision Amount (-)	749	1.001	2.483

m) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

n) Explanations on write-off policy:

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

8. Information on assets related to trading investments and discontinued operations:

As of 31 December 2018, the amount of assets due to trading is TL 4.259 (31 December 2017: TL 3.561).

	Current Period	Prior Period
Beginning Balance (Net)	3.561	-
Changes During the Period (Net)	698	3.561
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	4.259	3.561

As of 31 December 2018, the Bank has no discontinued operations (31 December 2017: None).

9. Equity Investments

a) Information about investments in associates (Net):

As of 31 December 2018, the Bank has no investments in associates (31 December 2017: None).

b) Information on subsidiaries (Net):

b.1) Information on unconsolidated subsidiaries:

As of 31 December 2018, the Bank has no unconsolidated associates (31 December 2017: None).

b.2) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 ^(*)	1.275.973	67	-	140.417	-	14	2	-	-
2 ^(*)	100.611	41	-	356	-	4	(13)	-	-

^(*) Audited financial statements used.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

	Current Period	Prior Period
Balance at the beginning of the year	100	50
Movements during the year	-	50
Included in the scope of consolidation	-	50
Purchases	-	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

⁽¹⁾ Paid capital increases during the period are shown under “Purchases”.

9. Equity Investments

b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.4) Subsidiaries that are quoted on the stock exchange:

As of 31 December 2018, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2017: None).

c) Information on entities under common control (joint ventures):

As of 31 December 2018, there are no entities under common control of the Bank (31 December 2017: None).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

10. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	25.251	47.138	72.389
Accumulated Depreciation (-)	-	-	-	9.264	15.890	25.154
Net Book Value	-	-	-	15.987	31.248	47.235
Current Period End:	-	-	-	-	-	-
Net Book Value at the Beginning of the Period	-	-	-	15.987	31.248	47.235
Change During the Period (Net)	-	-	-	2.396	2.485	4.881
Cost	-	-	-	7.778	12.428	20.206
Amortization (Net) (-)	-	-	-	5.382	9.943	15.325
Provision for Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	33.029	59.566	92.595
Accumulated Depreciation at Period End (-)	-	-	-	14.646	25.833	40.479
Closing Net Book Value	-	-	-	18.383	33.733	

- 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.

11. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	93.038	12.642	80.396	69.787	6.507	63.280
Total	93.038	12.642	80.396	69.787	6.507	

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated:
Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

12. Information on the investment properties:

As of 31 December 2018, the Bank has no investment properties (31 December 2017: None).

13. Information on the current period assets related to tax:

As of 31 December 2018, the Bank has no assets related to tax (31 December 2017: None).

14. Information on deferred tax asset:

The Bank's deferred tax asset is calculated as TL 52.497 (31 December 2017: TL 16.094) however it's reflected on the financial statements as TL 49.870 (31 December 2017: TL 14.093) by offsetting with deferred tax liability.

	Current Period	Prior Period
Deferred tax asset	52.497	16.094
Deferred tax liability	2.627	2.001
Net deferred tax asset	49.870	14.093
Net deferred tax income/loss	626	5.835

	Current Period	Prior Period
Severance pay	3.850	466
Short-term employee rights	2.839	138
Revaluation of financial assets	8.395	296
Other	34.786	13.193
Net deferred tax asset	49.870	14.093

	Current Period	Prior Period
As of January 1	14.093	4.876
Deferred tax Income/(Loss) (Net)	22.034	5.835
Deferred Tax Accounted for Under Equity	6.270	3.382
IFRS 9 Transition Effect	7.473	-
Deferred tax asset	49.870	14.093

15. Information on other assets:

As of 31 December 2018, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on funds collected:

a.1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	210.639	-	-	-	-	-	-	-	210.639
II. Real persons profit sharing accounts TL	-	526.001	2.948.826	43.992	-	42.916	193.315	-	3.755.050
III. Other current accounts-TL	517.046	-	-	-	-	-	-	-	517.046
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.768	-	-	-	-	-	-	-	418.768
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.298	-	-	-	-	-	40.298
V. Real persons current accounts-FC	347.441	-	-	-	-	-	-	-	347.441
VI. Real persons profit sharing accounts-FC	-	331.243	2.000.912	54.701	-	50.881	355.122	-	2.792.859
VII. Other current accounts-FC	1.183.202	-	-	-	-	-	-	-	1.183.202
Commercial residents in Turkey	1.168.785	-	-	-	-	-	-	-	1.168.785
Commercial residents in Abroad	8.509	-	-	-	-	-	-	-	8.509
Banks and participation banks	5.908	-	-	-	-	-	-	-	5.908
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	5.908	-	-	-	-	-	-	-	5.908
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	110.668	1.701.594	91.086	-	174.589	110.506	-	2.188.443
Public sector	-	674	12.007	-	-	-	-	-	12.681
Commercial sector	-	109.994	1.524.756	91.044	-	174.589	110.506	-	2.010.889
Other institutions	-	-	164.789	42	-	-	-	-	164.831
Commercial and other institutions	-	-	42	-	-	-	-	-	42
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	123.111	-	257.538	4.514	-	2.333	3.108	-	390.604
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	2.381.439	1.099.423	9.649.160	764.013	-	476.608	780.455	-	15.151.098

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

a.1) Information on maturity structure of funds collected:

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit haring accounts	Total
I. Real persons current accounts-TL	169.913	-	-	-	-	-	-	-	169.913
II. Real persons profit sharing accounts TL	-	339.006	2.206.716	26.540	-	29.403	67.732	-	2.669.397
III. Other current accounts-TL	431.271	-	-	-	-	-	-	-	431.271
Public sector	99.145	-	-	-	-	-	-	-	99.145
Commercial sector	317.668	-	-	-	-	-	-	-	317.668
Other institutions	14.432	-	-	-	-	-	-	-	14.432
Commercial and other institutions	23	-	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	288.729	2.247.646	321.549	-	156.951	60.491	-	3.075.366
Public sector	-	166.212	581.393	196.370	-	25.827	-	-	969.802
Commercial sector	-	117.818	1.472.701	118.790	-	13.825	10.444	-	1.733.578
Other institutions	-	4.699	188.545	6.389	-	117.299	50.047	-	366.979
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5.007	-	-	-	-	-	5.007
V. Real persons current accounts-FC	162.883	-	-	-	-	-	-	-	162.883
VI. Real persons profit sharing accounts-FC	-	150.266	1.350.227	36.220	-	41.553	61.061	-	1.639.327
VII. Other current accounts-FC	824.647	-	-	-	-	-	-	-	824.647
Commercial residents in Turkey	816.850	-	-	-	-	-	-	-	816.850
Commercial residents in Abroad	7.462	-	-	-	-	-	-	-	7.462
Banks and participation banks	335	-	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	37.478	848.801	18.769	-	-	-	-	905.048
Public sector	-	1.948	15.379	-	-	-	-	-	17.327
Commercial sector	-	35.503	580.639	18.744	-	-	-	-	634.886
Other institutions	-	27	244.731	25	-	-	-	-	244.783
Commercial and other institutions	-	-	8.052	-	-	-	-	-	8.052
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	62.451	-	77.863	2.277	-	1.310	2.842	-	146.743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	1.651.165	815.479	6.731.253	405.355	-	229.217	192.126	-	10.024.595

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

a.2) Exceeding Amounts of Insurance Limit:

i. Information’s on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	2.956.961	2.166.684	4.505.214	2.609.688
TL accounts	2.123.545	1.651.791	1.842.492	1.187.518
FC accounts	833.416	514.893	2.662.722	1.422.170
Foreign branches’ deposits under foreign authorities’ insurance	-	-	-	-
Off-shore banking regions’ under foreign authorities’ insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:

Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign branches’ profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	520	431
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	410.436	-
From Domestic Banks and Institutions	1.391.745	1.594.136	566.742	523.098
From Foreign Banks, Institutions and Funds	-	375.993	-	1.106.838
Total	1.391.745	1.970.129	977.178	1.629.936

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.391.745	1.368.797	977.178	291.782
Medium and Long-term	-	601.332	-	1.338.154
Total	1.391.745	1.970.129	977.178	1.629.936

c) Explanations Related to the Concentrations of the Bank’s Major Liabilities: Concentrations of the Bank’s major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

68% of liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	864.414	-	32.462	-
Financial Institutions	864.414	-	32.462	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	864.414	-	32.462	-

4. Information on securities issued:

None (31 December 2017: None).

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

None.

6. Information on derivative financial liabilities:

	Current Period	
	TL	FC
Forward transactions	-	6.145
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	6.145

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Negative differences table regarding to derivative financial liabilities held for trading:

	Prior Period	
	TL	FC
Derivative financial assets held for trading		
Forward transactions	-	6.280
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	6.280

7. Information on Financial Lease Obligations:

	Current Period	
	Gross	Net
Less than 1 year	422	415
Between 1-5 years	-	-
More than 5 years	-	-
Total	422	415

8. Information on provisions:

a) Information on general provisions:

	Prior Period
General Provisions	99.082
I. For Loans and Receivables in Group I (Total)	89.433
Profit Sharing Accounts' Share	62.132
The Bank's Share	27.301
Other	-
I. Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
II. Loans and Receivables in Group II (Total)	714
Profit Sharing Accounts' Share	603
The Bank's Share	111
Other	-
II. Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
Provisions for Non Cash Loans	8.111
Other	824

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 202 (31 December 2017: TL 6.045).

c) Information on special provisions related with uncompensated and non- liquidated non-cash loans:

Specific provisions for indemnified non-cash loans amount to TL 5.888 (31 December 2017: TL 177).

d) Information on other provisions:

d.1) Information on free provisions for possible risks:

Considering the circumstances that may arise from any changes in the economy or market conditions, the Bank management decided to make provision amounting to TL 30.000 in line with the conservatism principle. (31 December 2017: None)

d.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other provisions amounting to TL 48.204 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2017: TL 36.398).

The Bank has provided specific provisions amounting to TL 5.888 for non-cash loans that are not indemnified, amounting TL 20.110 for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 6.121 for other provisions.

8. Information on provisions:

e) Information on provisions for employee benefits:

e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2018, the amount payable consists of one month's salary limited to a maximum of TL 5.434 (full TL) (31 December 2017: TL 4.732 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 - “Turkish Accounting Standard on Employee Benefits”.

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period	Prior Period
Discount Rate (%)	3,84	4,77

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the 1 January	2.330	780
Changes during the period	1.285	1.014
Paid during the period	276	85
Severance Pay	(112)	(41)
Loss/(gain) obtained from layoff	24	21
Actuarial loss/(gain)	1.253	471
Balance at the end of the period	5.056	2.330

As of 31 December 2018, the Bank has a TL 3.584 short-run employees’ rights provision (31 December 2017: TL 2.389).

e.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2017, no technical deficit has been reported.

As of the balance sheet date, the Bank’s liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

The basic actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rates		
- Pension benefits will be transferred to SGK	9,80%	9,80%
- Health benefits will be transferred to SGK	9,80%	9,80%

e.3) Additional Bonus Provision to be paid to Personnel

The Bank has allocated a provision amounting to TL 13.000 based on the bonus to be paid by the resolution of the General Assembly.

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 December 2018, the Bank’s corporate income tax liability is TL 25.589 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.990).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	25.589	12.990
Taxation on Income From Securities	10.438	7.251
Property Tax	177	132
Banking Insurance Transactions Tax (BITT)	10.467	5.074
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	5.521	571
Other	1.593	1.140
Total	53.785	27.158

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	1	-
Social Security Premiums - Employer	1	2
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	62	92
Unemployment Insurance - Employer	125	183
Other	-	-
Total	189	277

10) Information on deferred tax liabilities, if any:

The Bank's deferred tax liability amounts to TL 2.627 (31 December 2017: TL 2.001) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 49.870 (31 December 2017: TL 14.093) is presented in the financial statements.

11. Information on payables for assets held for sale and discontinued operations:

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2017: None).

12. Explanations on subordinated debts:

The Bank does not have any subordinated debts (31 December 2017: None).

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them:

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	1.750.000	1.250.000
Preferred stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

According to decision taken at the 2017 Ordinary General Assembly held on 17 April 2018, it has been decided to allocate financial obligations amounting to TL 46.907 from the TL 199.974 accounting profit and allocate TL 7.653 general legal reserves which is 5% of TL 153.067 net profit for the period, and it has been decided to allocate TL 10,000 of the rest of the amount to personnel as additional bonus and TL 1.000 (10% of this amount) to provision and remaining TL 134.414 to Bank. The Bank's paid-in capital was increased to TL 1.750.000 in 2017 Extraordinary General Assembly Meeting held on 20 September 2018 by increasing the paid-in capital of TL 500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

At the 2017 Extraordinary General Assembly meeting held on 20 September 2018, the Bank decided to increase the share capital by TL 500.000 in cash.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2017: None).

e) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators. (31 December 2017: None).

f) Information on preferred shares:

As of 31 December 2018, the Bank has no preferred shares (31 December 2017: None).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

g) Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(38.639)	305
Revaluation Difference	(48.964)	305
Deferred Tax Effect	10.325	-
Foreign Exchange Difference	-	-
Total	(38.639)	305

Information on marketable securities value increase fund:

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(14.901)	(11)
Revaluation Difference	(18.955)	(11)
Deferred Tax Effect	4.054	-
Foreign Exchange Difference	-	-
Total	(14.901)	(11)

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	88.064	61.911
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	102.994	64.845
Loan Granting Commitments	6.925	1.966
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	160.832	4.034
Total	358.815	132.756

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

The amount of provision for possible losses arising from the off-balance sheet items is TL 5.888 (31 December 2017: None).

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits:

	Current Period	Prior Period
Guarantee Letters	8.640.366	5.322.130
Letter of Credits	3.591	4.784
Bank Acceptances	616.808	447.193
Other Contingencies	1.022.677	337.431
Total	10.283.442	6.111.538

b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Temporary Guarantees	411.354	603.757
Letters of Certain Guarantees	3.893.325	2.715.331
Letters of Advance Guarantees	1.018.357	399.756
Letters of Guarantees given to Customs Offices	73.926	45.753
Other Letters of Guarantees	3.243.404	1.557.533
Total	8.640.366	5.322.130

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.243.412	1.557.532
With Original Maturity of One Year or Less	1.727.495	775.726
With Original Maturity of More than One Year	1.515.917	781.806
Other Non-Cash Loans	7.040.030	4.554.006
Total	10.283.442	6.111.538

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

c) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	181.687	4	28.512	-	8.342	-	22.951	1
Farming and Raising Livestock	178.724	4	28.512	-	5.256	-	22.951	1
Forestry	2.704	-	-	-	3.021	-	-	-
Fishing	259	-	-	-	65	-	-	-
Manufacturing	651.919	16	4.052.882	66	488.281	15	2.031.214	69
Mining and Quarrying	15.827	-	165.716	3	13.043	-	12.224	-
Production	587.506	15	3.885.497	63	398.007	13	2.006.707	68
Electric, Gas and Water	48.586	1	1.669	-	77.231	2	12.283	1
Construction	2.052.481	49	638.842	10	1.574.071	50	407.646	14
Services	1.283.715	31	1.422.151	23	1.040.680	33	446.492	15
Wholesale and Retail Trade	647.427	15	1.031.680	17	537.314	17	349.915	12
Hotel, Food and Beverage Services	26.535	1	77.873	1	14.605	1	18.603	1
Transportation and Telecommunication	50.412	1	106.827	2	38.920	1	1.164	-
Financial Institutions	21.804	1	15.668	-	5.846	-	317	-
Real Estate and Leasing Services	483.921	12	172.876	3	441.401	14	69.025	2
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	1.397	-	14.824	-	89	-	7.468	-
Health and Social Services	52.219	1	2.403	-	2.505	-	-	-
Other	10.359	-	70.812	1	62.002	2	29.859	1
Total	4.180.161	100	6.213.199	100	3.173.376	100	2.938.162	100

d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	3.960.993	6.141.519	109.248	71.682
Letters of Guarantee	3.949.647	4.512.996	109.248	68.475
Bank Acceptances	-	3.591	-	-
Letters of Credit	5.584	611.224	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	5.762	1.013.708	-	3.207

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

2. Explanations on derivative transactions:

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	2.410.970	1.264.078
Forward Transactions	2.410.970	1.264.078
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
A. Total Trading Derivative Transactions (I+II)	2.410.970	1.264.078
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	2.410.970	1.264.078

The bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	-	(1.830)	-	-	-	(1.830)
- Addition	-	1.204.570	-	-	-	1.204.570
- Disposal	-	(1.206.400)	-	-	-	(1.206.400)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	-	1.204.570	-	-	-	1.204.570
Total cash disposal	-	(1.206.400)	-	-	-	(1.206.400)

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	(3.672)	(1.518)	-	-	-	(5.190)
- Addition	313.645	315.799	-	-	-	629.444
- Disposal	(317.317)	(317.317)	-	-	-	(634.634)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	313.645	315.799	-	-	-	629.444
Total cash disposal	(317.317)	(317.317)	-	-	-	(634.634)

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank’s liability resulting from the cheques given to its customers amounts to TL 102.994 (31 December 2017: 64.845 TL).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

4. Explanations on services in the name of others:

The Bank provides custody services for purchases and sales of government bonds on behalf of real and legal persons, intermediates in repurchase and sale transactions, and provides safe deposit box services. The Bank does not provide consultancy and management services.

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS

1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans ^(*)	1.675.313	177.215	835.038	50.714
Short term loans	623.639	51.587	257.556	8.131
Medium and long term loans	1.046.597	125.628	577.142	42.583
Profit share on non-performing loans	5.077	-	340	-
Premiums received from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions income on cash loans

b) Information on profit share income from banks:

None (31 December 2017: None).

c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	136.686	256
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-
Total	136.686	256

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Information on profit share income from securities portfolio:

	Prior Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets Available-for-Sale	48.298	336
Investments Held-to-Maturity	-	-
Total	48.298	

d) Information on profit share income received from associates and subsidiaries

None (31 December 2017: None).

2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.496	27.931	2.855	15.750
Central Bank of the Republic of Turkey	6.488	-	510	-
Domestic Banks	1.008	21.331	2.345	12.706
Foreign Banks	-	6.600	-	3.044
Head Office and Branches	-	-	-	-
Other Institutions	140.695	19.549	25.409	20.100
Total	148.191	47.480	28.264	35.850

b) Information on profit share expense given to associates and subsidiaries:

As of 31 December 2018, the amount of profit share expense given to associates and subsidiaries is TL 140.695 (31 December 2017: 25.409).

c) Information on profit share expense paid to securities issued:

None (31 December 2017: None).

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

d) Distribution of profit share on funds based on maturity of funds:

Current Period Account Name	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	6.838	-	-	-	6.838
Real Person’s Non Commercial Participation Accounts	45.160	340.583	4.692	3.984	19.211	413.630
Public Sector Participation Accounts	7.102	68.859	33.883	9.568	7.978	127.390
Commercial Sector Participation Accounts	23.149	266.330	14.446	7.858	1.735	313.518
Other Institutions Participation Accounts	1.606	66.650	6.409	15.364	890	90.919
Total	77.017	749.260	59.430	36.774	29.814	952.295
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	84	-	-	-	84
Real Person’s Non Commercial Participation Accounts	5.139	51.055	1.403	1.290	7.518	66.405
Public Sector Participation Accounts	20	1.047	-	-	-	1.067
Commercial Sector Participation Accounts	2.469	60.992	1.697	4.730	2.322	72.210
Other Institutions Participation Accounts	-	3.187	-	-	-	3.187
Public Sector Participation Accounts	3.995	-	-	-	-	3.995
Total	11.623	116.365	3.100	6.020	9.840	146.948
Grand Total	88.640	865.625	62.530	42.794	39.654	1.099.243

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

Prior Period	Participation Accounts					
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	382	-	-	-	382
Real Person's Non Commercial Participation Accounts	22.143	154.037	2.551	2.151	5.314	186.196
Public Sector Participation Accounts	12.124	41.864	7.226	628	3.738	65.580
Commercial Sector Participation Accounts	12.841	106.338	10.505	1.412	1.180	132.276
Other Institutions Participation Accounts	364	26.903	800	4.401	188	32.656
Total	47.472	329.524	21.082	8.592	10.420	417.090
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	1.007	-	-	-	1.007
Real Person's Non Commercial Participation Accounts	2.083	23.498	905	687	1.120	28.293
Public Sector Participation Accounts	15	309	-	-	-	324
Commercial Sector Participation Accounts	1.166	16.985	2.149	-	-	20.300
Other Institutions Participation Accounts	55	3.482	-	-	-	3.537
Public Sector Participation Accounts	583	-	-	-	-	583
Total	3.902	45.281	3.054	687	1.120	54.044
Grand Total	51.374	374.805	24.136	9.279	11.540	471.134

3. Information on dividend income:

As of 31 December 2018, the Bank's divided income is TL 177 (31 December 2017: None).

4. a. Information on trading income/loss (Net)

	Current Period	Prior Period
Income	10.743.441	2.847.899
Foreign exchange gains	10.638.239	2.832.166
Gain on derivative financial instruments	104.993	15.707
Gain on capital market transactions	209	26
Losses (-)	10.685.660	2.836.343
Foreign exchange losses	10.639.430	2.793.077
Losses on derivative financial instruments	43.625	42.389
Losses on capital market transactions	2.605	877
Net	57.781	11.556

b. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(61.368)	(26.682)
Total	(61.368)	(26.682)

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

5. Information on other operating income:

Information on factors covering the recent developments which has significant effect on the Bank’s income and the extent of effect on income:

There are no significant matters covering the recent developments which have significant effect on the Bank’s income.

6. Provision expenses for impairment on loans and other receivables:

	Current Period
Expected Credit Loss	203.793
12 month expected credit loss (stage 1)	36.406
Significant increase in credit risk (stage 2)	56.148
Non-performing loans (stage 3)	111.239
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other ^(*)	52.228
Total	256.021

^(*) According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 18.014 is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

	Prior Period
Specific Provisions for Loans and Other Receivables	14.721
III. group loans and receivables	1.449
IV. group loans and receivables	2.841
V. group loans and receivables	10.431
General provision expenses	46.896
Provision expenses for possible losses	-
Impairment provision of marketable securities	165
Financial Assets at fair value through profit and loss	-
Investment securities available for sale	165
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other ^(*)	28.361
Total	90.143

^(*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 26.313 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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7. Information on other operating expenses:

	Current Period
Personnel expenses ^(*)	123.973
Reserve for Employee Termination Benefits	1.473
Bank Social Aid Provision Fund Deficit Provision	
Tangible Fixed Assets Impairment Expense	
Depreciation Expenses of Tangible Fixed Assets	15.325
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	6.135
Impairment Expense for Equity Shares subject to the Equity Method	
Impairment Expense for Investment Securities that will be Disposed	
Amortization Expenses of Investment Securities that will be Disposed	
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	
Other Operating Expenses	86.973
Operational Leasing Expenses	26.900
Maintenance Expenses	6.197
Advertisement Expenses	16.362
Other Expenses	37.514
Loss on Sales of Assets	-
Other ^(*)	65.282
Total	299.161

^(*) The balance which forms the other item part, TL 20.412 represents Saving Deposit Insurance Fund (“SDIF”) Premium amount and audit and consultancy fees and TL 17.883 represents taxes, fees and funds and other services expenses.

^(*) “Personnel Expenses”, which is not included in “Other Operating Expenses” in the income statement, is included in this table.

	Prior Period
Personnel expenses	86.969
Reserve for Employee Termination Benefits	1.550
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	12.456
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	3.055
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	60.668
Operational Leasing Expenses	18.882
Maintenance Expenses	4.521
Advertisement Expenses	14.949
Other Expenses	22.316
Loss on Sales of Assets	-
Other ^(*)	32.833
Total	197.531

^(*) The prior balance which forms the other item part, TL 20.805 represents SDIF Premium amount and audit and consultancy fees and TL 9.264 represents taxes, fees and funds and other services expenses.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 December 2018, The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	770.834
Net Fees and Commissions Income	60.727
Personnel Expenses	123.973
Dividend Income	177
Trading Income/Expense (Net)	57.781
Other Operating Income	80.212
Expected Loss Provision (-)	256.021
Other Operating Expenses (-)	175.188
Income/(Loss) from Continuing Operations	414.549
	Prior Period
Net Profit Share Income	443.086
Net Fees and Commissions Income	30.343
Dividend Income	-
Trading Income/Expense (Net)	11.556
Other Operating Income	2.663
Loan and other receivables impairment provision (-)	90.143
Other Operating Expenses (-)	197.531
Income/(Loss) from Continuing Operations	199.974

9. Information on tax provision for continued and discontinued operations:

As of 31 December 2018, the Bank's total tax provision expense amounting to TL 91.884 (31 December 2017: TL 41.072) consists of TL 113.918 (31 December 2017: TL 46.907) of current tax expense and TL 22.034 (31 December 2017: TL 5.835) of deferred tax expense.

10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Bank's net operating income after tax amounts to TL 322.665 (31 December 2017: TL 158.902).

11. Information on net profit/loss:

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

None (31 December 2017: None).

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 17 April 2018, from TL 199.974 net profit, TL 46.907 is transferred as fiscal charge. 5% of remaining TL 153.067, TL 7.653 is separated as legal reserve. TL 10.000 was decided to be paid to employees and 10% of this amount, TL 1.000 has been allocated as reserves. Remaining amount, TL 134,414, has been left in the Bank. Paid-in capital is raised by TL 500.000 in cash from TL 1.250.000 to TL 1.750.000.

The Bank is planning to distribute its profit for 2018 in line with the Articles of Incorporation in 2017. However, as of the date of preparation of the financial statements, no decision on profit distribution has been made.

b) Explanations on Financial Assets at Fair Value Through Other Comprehensive Income

Explanations on Financial Assets at Fair Value Through Other Comprehensive Income were presented under Section Five and 1.3-b footnote.

c) Profit reserves:

As of balance sheet date, profit reserves are TL 158.593, legal reserves are TL 9.961, extraordinary reserves are TL 138.256, and other profit reserves are TL 10.376.

d) Explanations on Previous Year's Profit/Loss:

As of 31 December 2018, the bank's previous year's profit is TL 25.660.

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 262.408 is composed mainly from interest received from loans and securities amounting to TL 1.946.489 and interest paid to deposit and money market operations which is amounting to TL 1.218.373 Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 303.391 as of 31 December 2018, (31 December 2017: TL 51.176).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

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

Period opening and end cash and cash equivalents balance:

Period opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	41.124	32.550
Central Bank of the Republic of Turkey and Other Banks	560.677	1.081.708
Money Market Operations	-	-
Total Cash and Cash Equivalents	601.801	1.114.258

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	53.161	41.124
Central Bank of the Republic of Turkey and Other Banks	1.092.371	560.677
Money Market Operations	-	-
Total Cash and Cash Equivalents	1.145.532	601.801

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK

1) a) Information on the volume of transactions relating to the Bank’s risk group, outstanding loans and funds collected and income and expenses for the period:

Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	758.988	-	-	-
Balance at end of period	-	-	2.180.316	-	-	-
Profit share and commission income	-	-	28.471	-	-	-

Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	558.924	-	-	-
Balance at end of period	-	-	758.988	-	-	-
Profit share and commission income	-	-	8.248	-	-	-

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b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	8.159	1.796	-	-
Balance at the end of period	-	-	42.411	8.159	-	-
Profit share expense	-	-	2.563	2.314	-	-

c) Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Funds Borrowed						
Balance at the beginning of period	557.814	101.459	-	-	-	-
Balance at the end of period	1.375.097	557.814	-	-	-	-
Profit share paid expense	140.695	13.303	-	-	-	-

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK

2) Information on forward transactions, option agreements and similar transactions between the Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	1.264.078	259.672	-	-
Closing Balance	-	-	2.401.773	1.264.078	-	-
Total Profit/Loss	-	-	6.145	6.280	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

3) Information on remunerations provided to top management:

The Bank has paid TL 3.503 (31 December 2017: TL 2.717) to top management.

VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

1) Domestic and foreign branches and representative offices of the Bank:

	Number	Number of Employees			
Domestic branches ^(*)	80	1.042			
			Country		
Foreign representative offices	-	-	-		
				Total Assets	Legal Equity
Foreign branches	-	-	-	-	-
Off shore banking branches	-	-	-	-	-

^(*) The number of head office staff has been included in the number of domestic branch employees.

2) Explanations on the opening and closing of branches or representative office of the Bank in Turkey and abroad, and the significant change in its organization:

In 2018, 17 new branches (31 December 2017: 19 Branches) have been opened in Turkey.

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 1 October 2018	Note	Explanation
Long Term Foreign Currency Credit Rating	B +	It is in a very speculative level under the investment class.
Short Term Foreign Currency Credit Rating	B	It is in a speculative level under the investment class.
Long Term Turkish Lira Credit Rating	BB+	It is in a speculative level under the investment class.
Short Term Turkish Lira Credit Rating	B	It is in a speculative level under the investment class.
National Long Term Credit Rating	AAA(tur)	Top level investment grade.
Support	3	The probability of external support is reasonable.

II. OTHER EXPLANATIONS ON GROUP’S OPERATIONS

None.

Ziraat Katılım Bankası A.Ş.

Notes to the Unconsolidated Financial Statements As of 31 December 2018

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

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

As of 31 December 2018, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.(the Turkish member of KPMG International Cooperative, a Swiss Entity) and Audit Report dated 18 February 2019 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Ziraat Katılım Bankası A.Ş.

**Consolidated Financial Statements as of 31 December 2018 with
Independent Auditors' Report Thereon**

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish,
See Note I in Section Three)

Independent Auditor's Report



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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To the Shareholders of Ziraat Katılım Bankası Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi (“the Bank”) and its financial subsidiaries (together the “Group”) which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its consolidated financial subsidiaries as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards (“TFRS”) for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As disclosed in section five footnote II.8.d.1, the accompanying consolidated financial statements as at 31 December 2018 include a general reserve of total of TL 30.000 thousands which is provided by the Bank management in the current period for the possible effects of the negative circumstances which may arise in the economy or market conditions.

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” (“BRSA Audit Regulation”) published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards (“TSA”s) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the POA's Code of Ethics for Independent Auditors (“Code of Ethics”) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

Impairment of loans measured at amortised cost

Refer to Section III, No: VIII to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans measured at amortised cost.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2018, loans measured at amortised cost comprise approximately 80% of the Group's total assets.</p> <p>The Group recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the new adoption of the Standard, in determining the impairment of financial assets the Bank started to apply "expected credit loss" model rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Group 's management are as follows:</p> <ul style="list-style-type: none">- Determining the significant increase in credit risk since initial recognition of loans on the financial statements- incorporating the forward looking macroeconomic information in calculation of credit risk- design and implementation of expected credit loss model- The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. <p>The Group estimates expected credit losses on a collective basis.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and incorporating the future expectations.</p> <p>Impairment on loans calculation is determined as a key audit matter, due to the significance of the estimates and the level of judgments and its complex structure as explained above</p>	<p>Our procedures for auditing the expected credit losses on loans include below:</p> <ul style="list-style-type: none">- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the support of information risk management specialists.- We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.- We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard.- We evaluated the Banks's business model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist.- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including forward looking information and macroeconomic expectations.- We tested the accuracy and completeness of the data in calculation of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were examined and the risk parameters were recalculated.- We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.- We evaluated the criterias which are used in determining the significant increase in credit risk.- Additionally, we also evaluated the adequacy of the disclosures in the consolidated financial statements related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSAs Regulation and TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with BRSAs Audit Regulation TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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.

Independent Auditor's Report

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Erdal Tirmak SMMM
Partner 923
18 February 2019
Istanbul, Turkey

Ziraat Katılım Bankası A.Ş.

Consolidated Financial Report of Ziraat Katılım Bankası A.Ş. As of and for the Year Ended 31 December 2018

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih/İSTANBUL
Phone: (212) 404 11 00
Facsimile: (212) 404 10 81
Website: www.ziraatkatilim.com.tr
E-mail: bilgi@ziraatkatilim.com.tr

The consolidated year-end financial report in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

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

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

Subsidiaries	Investments in Associates	Joint Ventures
1 Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2 ZKB Varlık Kiralama A.Ş.	-	-

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



Hüseyin AYDIN
Chairman of the Board



Metin ÖZDEMİR
Member of the Board,
General Manager



Cemalettin BAŞLI
Member of the Board,
Member of the Audit Committee



Feyzi ÇUTUR
Member of the Board,
Member of the Audit Committee



Osman KARAKÜTÜK
Vice President of Treasury and
Internal Operating



Gürkan ÇAKIR
Head of Financial Coordination
Department

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

Name-Surname/Position : Mesut Küçük/Financial Reporting Manager
Tel No : 0 216 559 22 53
Facsimile : 0 212 404 10 81

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Notes to the Consolidated Financial Statements As of 31 December 2018

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised from TL 1,250,000 to TL 1,750,000 by increasing the amount of cash by TL 500,000. Governance body of the bank is in Istanbul.

Main operation field of the Parent Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Parent Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency within the scope of Participation Banking fundamentals.

All of the shares of the Parent Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE AND SHAREHOLDERS WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS THROUGHOUT THE YEAR (IF ANY) AND THE GROUP OF THE BANK

As of 31 December 2018 and 31 December 2017, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2018		31 December 2017	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.250.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.250.000	100,00

^(*) All of the shares of the Parent Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

III. EXPLANATIONS ON THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE PARENT BANK

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Salim ALKAN	Member of the BOD, President of Corporate Management Committee, Member of Pricing Committee, Substitute Member of Credit Committee
Assistant General Manager	
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury and Internal Operations
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

Chairman and members of the Board of Directors have no Parent Bank’s share capital.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
Total	1.750.000	100,00	1.750.000	-

^(*) All of the shares of the Parent Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

V. EXPLANATIONS OF THE PARENT BANK’S SERVICES AND FIELD OF OPERATIONS

Operation field of Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

The Parent Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to nine months (nine months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

The Parent Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

The Parent Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 31 December 2018, the Parent Bank operates with its 80 branches (31 December 2017: 63 domestic branches) and 1,042 (31 December 2017: 890) workers domestically.

The Parent Bank has no branches abroad.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank’s subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

VII. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

SECTION TWO

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- VII. Consolidated Statement of Profit Distribution

Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2018

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

	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		1,520,928	2,577,299	4,098,227
1.1 Cash and Cash Equivalents		338,745	2,456,239	2,794,984
1.1.1 Cash and Balances with Central Bank	(1)	333,810	1,673,503	2,007,313
1.1.2 Banks	(2)	4,935	782,736	787,671
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.2.1 Government Debt Securities		-	-	-
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(3)	1,183,345	121,017	1,304,362
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Instruments		4,897	-	4,897
1.3.3 Other Financial Assets		1,178,448	121,017	1,299,465
1.4 Financial Assets Measured at Amortized Cost	(4)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(5)	13	43	56
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		13	43	56
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)	(6)	1,175	-	1,175
II. LOANS (NET)	(7)	12,565,543	5,173,882	17,739,425
2.1 Loans		12,034,001	4,969,829	17,003,830
2.1.1 Measured at Amortized Cost		12,034,001	4,969,829	17,003,830
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables		499,781	204,053	703,834
2.2.1 Financial Lease Receivables		607,877	236,153	844,030
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		108,096	32,100	140,196
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortized Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		240,160	-	240,160
2.5 Expected Credit Loss (-)		208,399	-	208,399
2.5.1 12 Month Expected Credit Losses (Stage I)		32,984	-	32,984
2.5.2 Significant Increase in Credit Risk (Stage II)		51,637	-	51,637
2.5.3 Credit-Impaired Losses (Stage III/Special Provision)		123,778	-	123,778
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		4,259	-	4,259
3.1 Held for Sale Purpose		4,259	-	4,259
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS	(9)	-	-	-
4.1 Investments in Associates (Net)		-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)		-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(10)	52,116	-	52,116
VI. INTANGIBLE ASSETS (Net)	(11)	80,396	-	80,396
6.1 Goodwill		-	-	-
6.2 Other		80,396	-	80,396
VII. INVESTMENT PROPERTY (Net)	(12)	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-
IX. DEFERRED TAX ASSET	(14)	49,870	-	49,870
X. OTHER ASSETS	(15)	161,719	2,691	164,410
TOTAL ASSETS		14,434,831	7,753,872	22,188,703

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
		TL	FC	Total
ASSETS				
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	305.803	1.337.886	1.643.689
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	33	4	37
2.1 Financial Assets Held for Trading		33	4	37
2.1.1 Public Sector Debt Securities		-	-	-
2.1.2 Securities Representing a Share in Capital		-	-	-
2.1.3 Derivative Financial Assets Held for Trading		33	4	37
2.1.4 Other Marketable Securities		-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.2.1 Public Sector Debt Securities		-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	(3)	3.320	275.261	278.581
IV. MONEY MARKET PLACEMENTS				
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	516.461	7.712	524.173
5.1 Securities Representing a Share in Capital		4.719	-	4.719
5.2 Public Sector Debt Securities		-	-	-
5.3 Other Marketable Securities		511.742	7.712	519.454
VI. LOANS AND RECEIVABLES	(5)	9.656.012	1.718.732	11.374.744
6.1 Loans and receivables		9.639.259	1.718.732	11.357.991
6.1.1 Loans to Risk Group of the Bank		400.452	358.536	758.988
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		9.238.807	1.360.196	10.599.003
6.2 Non-performing loans		34.841	-	34.841
6.3 Specific provisions (-)		18.088	-	18.088
VII. INVESTMENTS HELD TO MATURITY (Net)	(6)			
VIII. INVESTMENTS IN ASSOCIATES (Net)	(7)			
8.1 Accounted with Equity Method		-	-	-
8.2 Unconsolidated Associates		-	-	-
8.2.1 Financial investments		-	-	-
8.2.2 Non-financial investments		-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(8)			
9.1 Unconsolidated financial subsidiaries		-	-	-
9.2 Unconsolidated non-financial subsidiaries		-	-	-
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)			
10.1 Consolidated under equity method		-	-	-
10.2 Unconsolidated		-	-	-
10.2.1 Financial subsidiaries		-	-	-
10.2.2 Non-financial subsidiaries		-	-	-
XI. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	372.944		372.944
11.1 Finance Lease Receivables		479.451	-	479.451
11.2 Operating Lease Receivables		-	-	-
11.3 Other		-	-	-
11.4 Unearned Income (-)		106.507	-	106.507
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)			
12.1 Fair Value Hedges		-	-	-
12.2 Cash Flow Hedges		-	-	-
12.3 Hedges for Investments Made in Foreign Countries		-	-	-
XIII. TANGIBLE ASSETS (Net)	(14)	47.235		47.235
XIV. INTANGIBLE ASSETS (Net)	(15)	63.280		63.280
14.1 Goodwill		-	-	-
14.2 Other		63.280	-	63.280
XV. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)			
XVI. TAX ASSET	(16)	14.093		14.093
16.1 Current Tax Asset		-	-	-
16.2 Deferred Tax Asset		14.093	-	14.093
XVII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	3.561		3.561
17.1 Held for Sale		3.561	-	3.561
17.2 Held from Discontinued Operations		-	-	-
XVIII. OTHER ASSETS	(17)	27.580	122	27.702
TOTAL ASSETS		11.010.322	3.339.717	14.350.039

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

Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2018

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

	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. FUNDS COLLECTED	(1)	8.248.433	6.902.550	15.150.983
II. FUNDS BORROWED	(2)	16.648	1.970.129	1.986.777
III. MONEY MARKETS DEBTS	(3)	864.414	-	864.414
IV. SECURITIES ISSUED (Net)	(4)	1.375.097	-	1.375.097
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	6.145	6.145
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	6.145	6.145
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VII. FINANCE LEASE PAYABLES	(7)	-	415	415
7.1 Finance Lease Payables		-	422	422
7.2 Operating Lease Payables		-	-	-
7.3 Other		-	-	-
7.4 Deferred Finance Lease Expenses (-)		-	7	7
VIII. PROVISIONS	(8)	117.948	14.016	131.964
8.1 Restructuring Provisions		-	-	-
8.2 Reserve for Employee Benefits		21.640	-	21.640
8.3 Insurance Technical Provisions (Net)		-	-	-
8.4 Other Provisions		96.308	14.016	110.324
IX. CURRENT TAX LIABILITY	(9)	53.987	-	53.987
X. DEFERRED TAX LIABILITY	(10)	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	-	-	-
12.1 Loans		-	-	-
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES	(13)	368.204	32.133	400.337
XIV. SHAREHOLDERS' EQUITY	(14)	2.218.279	305	2.218.584
14.1 Paid-in capital		1.750.000	-	1.750.000
14.2 Capital Reserves		-	-	-
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserve		-	-	-
14.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.473	-	1.473
14.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(40.112)	305	(39.807)
14.5 Profit Reserves		158.593	-	158.593
14.5.1 Legal Reserves		9.961	-	9.961
14.5.2 Status Reserves		-	-	-
14.5.3 Extraordinary Reserves		138.256	-	138.256
14.5.4 Other Profit Reserves		10.376	-	10.376
14.6 Income or (Loss)		348.325	-	348.325
14.6.1 Prior Periods' Income or (Loss)		25.660	-	25.660
14.6.2 Current Period Income or (Loss)		322.665	-	322.665
TOTAL LIABILITIES AND EQUITY		13.263.010	8.925.693	22.188.703

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Ziraat Katılım Bankası A.Ş.

Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. FUND COLLECTED	(1)	6.345.837	3.678.649	10.024.486
1.1 Fund Collected Held By the Risk Group of the Bank		8.156	3	8.159
1.2 Other		6.337.681	3.678.646	10.016.327
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	6.280	6.280
III. FUNDS BORROWED	(3)	419.374	1.629.936	2.049.310
IV. MONEY MARKET BALANCES	(4)	32.462	-	32.462
V. MARKETABLE SECURITIES ISSUED (Net)	(5)	557.804	-	557.804
VI. MISCELLANEOUS PAYABLES		27.253	8.462	35.715
VII. OTHER LIABILITIES	(6)	69.368	1.202	70.570
VIII. FINANCE LEASE PAYABLES	(7)	-	-	-
8.1 Finance Lease Payables		-	-	-
8.2 Operating Lease Payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-
9.1 Fair Value Hedges		-	-	-
9.2 Cash Flow Hedges		-	-	-
9.3 Hedges for Investments Made in Foreign Countries		-	-	-
X. PROVISIONS	(9)	138.685	3.605	142.290
10.1 General Provisions		99.082	-	99.082
10.2 Restructuring Provisions		-	-	-
10.3 Employee Benefits Provisions		4.719	-	4.719
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		34.884	3.605	38.489
XI. TAX LIABILITY	(10)	27.441	-	27.441
11.1 Current Tax Liability		27.441	-	27.441
11.2 Deferred Tax Liability		-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
12.1 Held for Sale		-	-	-
12.2 Held from Discontinued Operations		-	-	-
XIII. SUBORDINATED LOANS	(12)	-	-	-
XIV. SHAREHOLDERS' EQUITY	(13)	1.403.692	(11)	1.403.681
14.1 Paid-in Capital		1.250.000	-	1.250.000
14.2 Capital Reserves		(14.901)	(11)	(14.912)
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Valuation Differences		(14.901)	(11)	(14.912)
14.2.4 Tangible Assets Revaluation Reserves		-	-	-
14.2.5 Intangible Assets Revaluation Reserves		-	-	-
14.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-
14.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
14.2.10 Other Capital Reserves		-	-	-
14.3 Profit Reserves		9.691	-	9.691
14.3.1 Legal Reserves		1.308	-	1.308
14.3.2 Statutory Reserves		-	-	-
14.3.3 Extraordinary Reserves		3.843	-	3.843
14.3.4 Other Profit Reserves		4.540	-	4.540
14.4 Profit or Loss		158.902	-	158.902
14.4.1 Prior Years Profit/Loss		-	-	-
14.4.2 Net Period Profit/Loss		158.902	-	158.902
TOTAL LIABILITIES AND EQUITY		9.021.916	5.328.123	14.350.039

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

Consolidated Statement of Off-Balance Sheet Commitments As of 31 December 2018

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

	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
		Current Period (31/12/2018)		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		4.369.125	8.684.102	13.053.227
I. GUARANTEES AND WARRANTIES		4.070.241	6.213.201	10.283.442
1.1 Letters of Guarantee		4.058.895	4.581.471	8.640.366
1.1.1 Guarantees Subject to State Tender Law		263.507	1.436.775	1.700.282
1.1.2 Guarantees Given for Foreign Trade Operations		3.622.754	-	3.622.754
1.1.3 Other Letters of Guarantee		172.634	3.144.696	3.317.330
1.2 Bank Acceptances		-	3.591	3.591
1.2.1 Import Letter of Acceptance		-	3.591	3.591
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		5.584	611.224	616.808
1.3.1 Documentary Letters of Credit		5.584	611.224	616.808
1.3.2 Other Letters of Credit		-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		-	1.010.273	1.010.273
1.7 Other Collaterals		5.762	6.642	12.404
II. COMMITMENTS	(1)	298.884	59.931	358.815
2.1 Irrevocable Commitments		298.884	59.931	358.815
2.1.1 Forward asset purchase commitments		28.133	59.931	88.064
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		102.994	-	102.994
2.1.7 Tax and Fund Liabilities from Export Commitments		6.925	-	6.925
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		160.832	-	160.832
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	2.410.970	2.410.970
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-
3.2 Trading Derivative Financial Instruments		-	2.410.970	2.410.970
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	2.410.970	2.410.970
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	1.204.570	1.204.570
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	1.206.400	1.206.400
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		19.380.896	2.390.013	21.770.909
IV. ITEMS HELD IN CUSTODY		1.322.027	752.222	2.074.249
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		919.760	-	919.760
4.3 Checks Received for Collection		361.417	61.070	422.487
4.4 Commercial Notes Received for Collection		39.613	2.604	42.217
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.237	297.828	299.065
4.8 Custodians		-	390.720	390.720
V. PLEDGES RECEIVED		18.058.869	1.637.791	19.696.660
5.1 Marketable Securities		919.767	442.154	1.361.921
5.2 Guarantee Notes		1.204.313	156.295	1.360.608
5.3 Commodity		1.286.488	367.493	1.653.981
5.4 Warranty		-	-	-
5.5 Properties		12.115.418	105.561	12.220.979
5.6 Other Pledged Items		2.532.883	566.288	3.099.171
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		23.750.021	11.074.115	34.824.136

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Consolidated Statement of Off-Balance Sheet Commitments As of 31 December 2017

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

	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)	3.274.276	4.234.096	7.508.372
I. GUARANTEES AND WARRANTIES		3.173.375	2.938.163	6.111.538
1.1 Letters of Guarantee		3.169.925	2.152.205	5.322.130
1.1.1 Guarantees Subject to State Tender Law		111.858	696.422	808.280
1.1.2 Guarantees Given for Foreign Trade Operations		2.910.565	-	2.910.565
1.1.3 Other Letters of Guarantee		147.502	1.455.783	1.603.285
1.2 Bank Acceptances		-	4.784	4.784
1.2.1 Import Letter of Acceptance		-	4.784	4.784
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		-	447.193	447.193
1.3.1 Documentary Letters of Credit		-	447.193	447.193
1.3.2 Other Letters of Credit		-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		3.450	329.962	333.412
1.7 Other Collaterals		-	4.019	4.019
II. COMMITMENTS	(1)	100.901	31.855	132.756
2.1 Irrevocable Commitments		100.901	31.855	132.756
2.1.1 Forward asset purchase commitments		30.056	31.855	61.911
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		64.845	-	64.845
2.1.7 Tax and Fund Liabilities from Export Commitments		1.966	-	1.966
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		4.034	-	4.034
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)		1.264.078	1.264.078
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-
3.2 Trading Derivative Financial Instruments		-	1.264.078	1.264.078
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	1.264.078	1.264.078
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	629.444	629.444
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	634.634	634.634
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		12.684.779	946.613	13.631.392
IV. ITEMS HELD IN CUSTODY		447.409	252.379	699.788
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		119.399	-	119.399
4.3 Checks Received for Collection		307.270	2.778	310.048
4.4 Commercial Notes Received for Collection		20.465	4.592	25.057
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		275	97.500	97.775
4.8 Custodians		-	147.509	147.509
V. PLEDGES RECEIVED		12.237.370	694.234	12.931.604
5.1 Marketable Securities		1.189.468	331.670	1.521.138
5.2 Guarantee Notes		864.266	35.828	900.094
5.3 Commodity		830.495	27	830.522
5.4 Warranty		-	-	-
5.5 Properties		8.755.047	-	8.755.047
5.6 Other Pledged Items		598.094	326.709	924.803
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES				
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		15.959.055	5.180.709	21.139.764

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

Consolidated Statement of Profit or Loss For the Year Ended 31 December 2018

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

		Note (Section Five IV)	THOUSAND OF TURKISH LIRA Current Period 01/01/2018-31/12/2018
	INCOME AND EXPENSE ITEMS		
I.	PROFIT SHARE INCOME	(1)	2.090.557
1.1	Profit share on loans		1.852.528
1.2	Profit share on reserve deposits		37.081
1.3	Profit share on banks		-
1.4	Profit share on money market placements		-
1.5	Profit share on marketable securities portfolio		136.942
1.5.1	Fair Value Through Profit or Loss		-
1.5.2	Fair Value Through Other Comprehensive Income		136.942
1.5.3	Measured at Amortized Cost		-
1.6	Finance lease income		54.581
1.7	Other profit share income		9.425
II.	PROFIT SHARE EXPENSE	(2)	1.319.723
2.1	Expense on profit sharing accounts		1.099.243
2.2	Profit share expense on funds borrowed		54.976
2.3	Profit share expense on money market borrowings		24.801
2.4	Expense on securities issued		140.695
2.5	Other profit share expense		8
III.	NET PROFIT SHARE INCOME (I - II)		770.834
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		60.727
4.1	Fees and commissions received		84.273
4.1.1	Non-cash loans		66.607
4.1.2	Other		17.666
4.2	Fees and commissions paid		23.546
4.2.1	Non-cash loans		42
4.2.2	Other		23.504
V.	PERSONNEL EXPENSE (-)		123.973
VI.	DIVIDEND INCOME	(3)	177
VII.	TRADING INCOME/(LOSS) (Net)	(4)	57.781
7.1	Capital market transaction gains/(losses)		(2.396)
7.2	Gains/(losses) from derivative financial instruments		61.368
7.3	Foreign exchange gains/(losses)		(1.191)
VIII.	OTHER OPERATING INCOME	(5)	80.212
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		845.758
X.	EXPECTED CREDIT LOSS (-)	(6)	256.021
XI.	OTHER OPERATING EXPENSES (-)	(7)	175.188
XII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		414.549
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XVI.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	414.549
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(91.884)
17.1	Current Tax Provision		(113.918)
17.2	Deferred Tax Income Effect (+)		(626)
17.3	Deferred Tax Expense Effect (-)		22.660
XVIII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	322.665
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income on assets held for sale		-
19.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
19.3	Income on other discontinued operations		-
XX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1	Expenses for Non-current Assets Held for Sale		-
20.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current tax provision		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET INCOME/(LOSS) (XVIII+XXIII)	(11)	322.665
24.1	Group profit/loss		322.665
24.1	Minority shares profit/loss		-
	Earning/(Loss) per share (in TL full)		0,2432

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Consolidated Statement of Profit or Loss For the Year Ended 31 December 2017

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

	Note (Section Five IV)	THOUSAND OF TURKISH LIRA Prior Period 01/01-31/12/2017
INCOME AND EXPENSE STATEMENT		
I. PROFIT SHARE INCOME	(1)	981.392
1.1 Profit share on loans		885.752
1.2 Profit share on reserve deposits		16.396
1.3 Profit share on banks		-
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		48.634
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		48.634
1.5.4 Investments held-to-maturity		-
1.6 Finance lease income		29.782
1.7 Other profit share income		828
II. PROFIT SHARE EXPENSE	(2)	538.306
2.1 Expense on profit sharing accounts		471.134
2.2 Profit share expense on funds borrowed		38.705
2.3 Profit share expense on money market borrowings		3.058
2.4 Expense on securities issued		25.409
2.5 Other profit share expense		-
III. NET PROFIT SHARE INCOME (I - II)		443.086
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		30.343
4.1 Fees and commissions received		45.743
4.1.1 Non-cash loans		35.266
4.1.2 Other		10.477
4.2 Fees and commissions paid		15.400
4.2.1 Non-cash loans		4
4.2.2 Other		15.396
V. DIVIDEND INCOME	(3)	-
VI. NET TRADING INCOME	(4)	11.556
6.1 Capital market transaction gains/(losses)		(851)
6.2 Gains/(losses) from derivative financial instruments		(26.682)
6.3 Foreign exchange gains/(losses)		39.089
VII. OTHER OPERATING INCOME	(5)	2.663
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		487.648
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	90.143
X. OTHER OPERATING EXPENSES (-)	(7)	197.531
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		199.974
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. GAIN/(LOSS) ON EQUITY METHOD		-
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	199.974
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(41.072)
16.1 Current Tax Provision		(46.907)
16.2 Deferred Tax Provision		5.835
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	158.902
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
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 jointly controlled entities (joint vent.)		-
19.3 Loss from other discontinued operations		-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	158.902
23.1 Group profit/loss		-
23.2 Minority shares profit/loss		-
Earning/(Loss) per share (in TL full)		0,1615

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2018

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

		THOUSAND OF TURKISH LIRA
		Current Period 01/01-31/12/2018
I.	CURRENT PERIOD INCOME/LOSS	322.665
II.	OTHER COMPREHENSIVE INCOME	(23.422)
2.1	Not Reclassified Through Profit or Loss	1.002
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	1.253
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(251)
2.2	Reclassified Through Profit or Loss	(24.424)
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(30.945)
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	6.521
III.	TOTAL COMPREHENSIVE INCOME (I+II)	299.243

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

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

		THOUSAND OF TURKISH LIRA
		Prior Period 01/01/2017-31/12/2017
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(17.225)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VII.	THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	3.382
X.	TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(13.843)
XI.	PROFIT/LOSS	158.902
11.1	Change in fair value of marketable securities (transfer to profit/loss)	-
11.2	Reclassification of derivatives accounted for cash flow hedge purposes to statement of profit or loss	-
11.3	Reclassification of hedge of net investments in foreign operations to statement of profit or loss	-
11.4	Other	158.902
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	145.059

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

Consolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2018

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

		STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY							
	Current Period 1 January -31 December 2018	Paid-in capital	Share Premium	Share certificate cancellation profits	Other Capital Reserves	Accumulated Revaluation Increase/ Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	
I.	Prior Period End Balance	1.250.000	-	-	-	-	471	-	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	
2.1	Effects of Corrections	-	-	-	-	-	-	-	
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	1.250.000	-	-	-	-	471	-	
IV.	Total Comprehensive Income	-	-	-	-	-	1.002	-	
V.	Capital Increase by Cash	500.000	-	-	-	-	-	-	
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	
XI.	Profit Distribution	-	-	-	-	-	-	-	
11.1	Dividends paid	-	-	-	-	-	-	-	
11.2	Transfers to Reserves	-	-	-	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	1.750.000	-	-	-	-	1.473	-	

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Foreign Currency Translation Differences)	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
	-	(15.383)	-	9.691	158.902	-	1.403.681
	-	-	-	-	25.660	-	25.660
	-	-	-	-	-	-	-
	-	-	-	-	25.660	-	25.660
	-	(15.383)	-	9.691	184.562	-	1.429.341
	-	(24.424)	-	-	-	322.665	299.243
	-	-	-	-	-	-	500.000
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	148.902	(158.902)	-	(10.000)
	-	-	-	-	(10.000)	-	(10.000)
	-	-	-	-	-	-	-
	-	-	-	148.902	(148.902)	-	-
	-	(39.807)	-	158.593	25.660	322.665	2.218.584

Consolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2017

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

		THOUSAND TURKISH LIRA						
Audited Prior Period 1 January 2017 - 31 December 2017	Note (Section Five)	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	
I. Balances at the beginning of the period		747.000	-	-	-	-	-	
Changes in the period		-	-	-	-	-	-	
II. Increase/decrease related to mergers		-	-	-	-	-	-	
III. Valuation difference of available-for-sale securities		-	-	-	-	-	-	
IV. Hedging transactions (effective portion)		-	-	-	-	-	-	
4.1 Cash flow hedge		-	-	-	-	-	-	
4.2 Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-	
V. Revaluation fund on tangible assets		-	-	-	-	-	-	
VI. Revaluation fund on intangible assets		-	-	-	-	-	-	
VII. Capital bonus of associates, subsidiaries and joint ventures		-	-	-	-	-	-	
VIII. Foreign exchange differences		-	-	-	-	-	-	
IX. Changes related to sale of assets		-	-	-	-	-	-	
X. Changes related to reclassification of assets		-	-	-	-	-	-	
XI. Effect of changes in equities of associates		-	-	-	-	-	-	
XII. Capital increase		503.000	-	-	-	-	-	
12.1 Cash		500.000	-	-	-	-	-	
12.2 Domestic sources		3.000	-	-	-	-	-	
XIII. Issuances of share certificates		-	-	-	-	-	-	
XIV. Abolition profit of share certificates		-	-	-	-	-	-	
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	
XVI. Others		-	-	-	-	-	-	
XVII. Current period net profit/loss		-	-	-	-	-	-	
XVIII. Profit distribution		-	-	-	-	1.308	-	
18.1 Dividends		-	-	-	-	-	-	
18.2 Transferred to reserves		-	-	-	-	1.308	-	
18.3 Others		-	-	-	-	-	-	
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		1.250.000	-	-	-	1.308	-	

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

THOUSAND TURKISH LIRA

Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Excluding Minority Shareholders	Minority Shareholders	Total Shareholders' Equity
-	-	30.673	(11.982)	(1.070)	-	-	-	-	764.621	-	764.621
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(13.842)	-	-	-	-	(13.842)	-	(13.842)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(3.000)	-	-	-	-	-	500.000	-	500.000
-	-	-	-	-	-	-	-	-	500.000	-	500.000
-	-	-	(3.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	158.902	-	-	-	-	-	-	158.902	-	158.902
3.843	4.540	(30.673)	14.982	-	-	-	-	-	(6.000)	-	(6.000)
-	-	-	(6.000)	-	-	-	-	-	(6.000)	-	(6.000)
3.843	4.540	-	(9.691)	-	-	-	-	-	-	-	-
-	-	(30.673)	30.673	-	-	-	-	-	-	-	-
3.843	4.540	158.902	-	(14.912)	-	-	-	-	1.403.681	-	1.403.681

Consolidated Statement of Cash Flows For the Year Ended 31 December 2018

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

		Note (VI)	THOUSAND OF TURKISH LIRA Current Period 01/01/2018 - 31/12/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		(262.408)
1.1.1	Profit share income received		1.946.489
1.1.2	Profit share expense paid		(1.218.373)
1.1.3	Dividend received		177
1.1.4	Fees and commissions received		84.273
1.1.5	Other income		15.519
1.1.6	Collections from previously written off loans		19.317
1.1.7	Payments to personnel and service suppliers		(135.031)
1.1.8	Taxes paid		(83.458)
1.1.9	Others		(891.321)
1.2	Changes in operating assets and liabilities		647.647
1.2.1	Net (increase)/decrease in held for trading financial assets		(435)
1.2.2	Net (increase) decrease in fair value through profit/loss financial assets		(322.369)
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(5.637.051)
1.2.4	Net (increase) decrease in loans		(137.402)
1.2.5	Net (increase) decrease in other assets		40.870
1.2.6	Net increase (decrease) in bank deposits		5.013.229
1.2.7	Net increase (decrease) in other deposits		-
1.2.8	Net increase (decrease) in funds borrowed		78.626
1.2.9	Net increase (decrease) in due payables		-
1.2.10	Net increase (decrease) in other liabilities		1.612.179
I.	Net cash provided from banking operations		385.239
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(800.717)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3	Fixed assets purchases		(43.950)
2.4	Fixed assets sales		-
2.5	Cash paid for purchase of financial assets available for sale		(756.767)
2.6	Cash obtained from sale of financial assets available for sale		-
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Other		-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		655.818
3.1	Cash obtained from funds borrowed and securities issued		3.454.000
3.2	Cash used for repayment of funds borrowed and securities issued		(2.777.402)
3.3	Marketable Securities Issued		-
3.4	Dividends paid		-
3.5	Payments for finance leases		(26.612)
3.6	Other		5.832
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		303.391
V.	Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		543.731
VI.	Cash and cash equivalents at the beginning of the period	(I)	601.801
VII.	Cash and cash equivalents at the end of the period	(I)	1.145.532

As noted in Section three-note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

Consolidated Statement of Cash Flows For the Year Ended 31 December 2017

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

	Note (VI)	THOUSAND OF TURKISH LIRA Prior Period 01/01/2017 - 31/12/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities)		121.921
1.1.1 Profit share income received		823.676
1.1.2 Profit share expense paid		(491.718)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		45.743
1.1.5 Other income		762
1.1.6 Collections from previously written off loans		12.807
1.1.7 Payments to personnel and service suppliers		(86.969)
1.1.8 Taxes paid		(29.546)
1.1.9 Others		(152.834)
1.2 Changes in operating assets and liabilities		(1.451.586)
1.2.1 Net (increase)/decrease in held for trading financial assets		1.118
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(755.341)
1.2.4 Net (increase) decrease in loans		(5.824.304)
1.2.5 Net (increase) decrease in other assets		(8.140)
1.2.6 Net increase (decrease) in bank deposits		(17.131)
1.2.7 Net increase (decrease) in other deposits		4.371.041
1.2.8 Net increase (decrease) in funds borrowed		885.232
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		(104.061)
I. Net cash provided from banking operations		(1.329.665)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(155.126)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(59.478)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(95.648)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		921.158
3.1 Cash obtained from funds borrowed and securities issued		1.100.000
3.2 Cash used for repayment of funds borrowed and securities issued		(669.064)
3.3 Marketable Securities Issued		500.000
3.4 Dividends paid		(6.000)
3.5 Payments for finance leases		(8.318)
3.6 Other		4.540
IV. Effect of change in foreign exchange rate on cash and cash equivalents		51.176
V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		(512.457)
VI. Cash and cash equivalents at the beginning of the period	(I)	1.114.258
VII. Cash and cash equivalents at the end of the period	(I)	601.801

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

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2018

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

	Audited Current Period (31/12/2018)
I. DISTRIBUTION OF THE CURRENT YEAR INCOME	
1.1 Current Year Income (Loss)	414.549
1.2 Taxes and Duties Payable (-) ⁽²⁾	113.918
1.2.1 Corporate Tax (Income Tax)	113.918
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	300.631
1.3 Prior Year Losses (-)	-
1.4 First Legal Reserves (-)	-
1.5 Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	300.631
1.6 First Dividend to Shareholders (-)	-
1.6.1 To Owners of Ordinary Shares	-
1.6.2 To Owners of Privileged Shares	-
1.6.3 To Owners of Preferred Shares	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-
1.7 Dividends to Personnel (-)	-
1.8 Dividends to Board of Directors (-)	-
1.9 Second Dividend to Shareholders (-)	-
1.9.1 To Owners of Ordinary Shares	-
1.9.2 To Owners of Privileged Shares	-
1.9.3 To Owners of Preferred Shares	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-
1.10 Second Legal Reserves (-)	-
1.11 Statutory Reserves (-)	-
1.12 Extraordinary Reserves	-
1.13 Other Reserves	-
1.14 Special Funds	-
II. DISTRIBUTION OF RESERVES	
2.1 Appropriated Reserves	-
2.2 Second Legal Reserves (-)	-
2.3 Dividends to Shareholders (-)	-
2.3.1 To Owners of Ordinary Shares	-
2.3.2 To Owners of Privileged Shares	-
2.3.3 To Owners of Preferred Shares	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-
2.4 Dividends to Personnel (-)	-
2.5 Dividends to Board of Directors (-)	-
III. EARNINGS PER SHARE	
3.1 To Owners of Ordinary Shares	0,2432
3.2 To Owners of Ordinary Shares (%)	24,3206
3.3 To Owners of Privileged Shares	-
3.4 To Owners of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	
4.1 To Owners of Ordinary Shares	-
4.2 To Owners of Ordinary Shares (%)	-
4.3 To Owners of Privileged Shares	-
4.4 To Owners of Privileged Shares (%)	-

⁽¹⁾ Profit distribution is decided by the General Assembly. As of reporting date, General Assembly meeting has not been held yet.⁽²⁾ Deferred tax related to current year, amount of TL 22.034 is not subject to profit distribution.⁽³⁾ It is shown in full TL amounts.

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

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2017

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

	Audited Prior Period (31/12/2017)
I. DISTRIBUTION OF THE CURRENT YEAR INCOME	
1.1 Current Year Income (Loss)	199.974
1.2 Taxes and Duties Payable (-) ⁽¹⁾	46.907
1.2.1 Corporate Tax (Income Tax)	46.907
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	153.067
1.3 Prior Year Losses (-)	-
1.4 First Legal Reserves (-)	-
1.5 Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	153.067
1.6 First Dividend to Shareholders (-)	-
1.6.1 To Owners of Ordinary Shares	-
1.6.2 To Owners of Privileged Shares	-
1.6.3 To Owners of Preferred Shares	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-
1.7 Dividends to Personnel (-)	10.000
1.8 Dividends to Board of Directors (-)	-
1.9 Second Dividend to Shareholders (-)	-
1.9.1 To Owners of Ordinary Shares	-
1.9.2 To Owners of Privileged Shares	-
1.9.3 To Owners of Preferred Shares	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-
1.10 Second Legal Reserves (-)	1.000
1.11 Statutory Reserves (-)	-
1.12 Extraordinary Reserves	134.414
1.13 Other Reserves	-
1.14 Special Funds	-
II. DISTRIBUTION OF RESERVES	
2.1 Appropriated Reserves	-
2.2 Second Legal Reserves (-)	-
2.3 Dividends to Shareholders (-)	-
2.3.1 To Owners of Ordinary Shares	-
2.3.2 To Owners of Privileged Shares	-
2.3.3 To Owners of Preferred Shares	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-
2.4 Dividends to Personnel (-)	-
2.5 Dividends to Board of Directors (-)	-
III. EARNINGS PER SHARE	
3.1 To Owners of Ordinary Shares ⁽²⁾	0,1556
3.2 To Owners of Ordinary Shares (%)	15,5551
3.3 To Owners of Privileged Shares	-
3.4 To Owners of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	
4.1 To Owners of Ordinary Shares	-
4.2 To Owners of Ordinary Shares (%)	-
4.3 To Owners of Privileged Shares	-
4.4 To Owners of Privileged Shares (%)	-

⁽¹⁾ Deferred tax related to current year, amount of TL 5.835 is not subject to profit distribution.⁽²⁾ It is shown in full TL amounts.

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

Notes to the Consolidated Financial Statements As of 31 December 2018

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards or TAS and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

The format and content of the publicly announced consolidated 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”, published in Official Gazette no. 28337, dated 28 June 2012 and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Unless otherwise specified, all balances in the consolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

Additional paragraph for convenience translation into English:

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

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2018 the Parent Bank has applied TFRS 9 Financial Instruments (“TFRS 9”) published by POA according to “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached consolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years’ profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIV of Section Three.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Bank’s accounting policies, financial position and performance.

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on and after 1 January 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of the Bank’s resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans.

The Parent Bank’s liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized under the net foreign exchange income/expense account.

The Parent Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

Notes to the Consolidated Financial Statements As of 31 December 2018

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

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES

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

Title	Address (City/Country)	Main Activities	31 December 2018	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Rent Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Rent Certificate Issue	100	100

Ziraat Katılım Varlık Kiralama A.Ş was established and registered to the trade registry in 22 January 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Ziraat Katılım Varlık Kiralama A.Ş has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

2. Consolidation principles of associates and joint ventures:

As of the date of 31 December 2018, there is no jointly controlled subsidiaries.

3. Principles applied during share transfer, merger and acquisition: None.

4. Transactions with minority shareholders: None.

b. Presentation of consolidated subsidiaries and associates in consolidated financial statements:

There is no subsidiaries and associates within the scope of The Parent’s Bank consolidation.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Parent Bank’s derivative financial instruments consist of forward foreign currency buy/sell agreements.

Derivative financial instruments of the Parent Bank are classified under “IFRS 9 Financial Instruments” (“IFRS 9”), “Derivative Financial Assets at Fair Value through Profit or Loss” or “Derivative Financial Assets at Fair Value through Other Comprehensive Income”.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities at Fair Value Through Profit or Loss”. The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

VII. EXPLANATIONS ON FINANCIAL ASSETS

As TFRS 9 has been put into effect on 1 January 2018, the Bank’s accounting policy for financial instruments is summarized as follows.

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Parent Bank, if the Parent Bank is a legal party to these instruments.

The Parent Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition.

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

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank does not have any financial assets classified as “Financial Assets at Fair Value Through Profit or Loss”.

b. Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

At initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods’ profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in income statement.

The Bank does not have financial assets that are classified as “Financial Assets Measured at Amortized Cost”.

Loans:

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Internal Rate of Return Method”.

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expectation Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk

Impairment

As of 1 January 2018, the Parent Bank recognizes provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside”. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit impairment model under TFRS 9.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Provision for 12 month expected credit loss (stage 1)

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (stage 2)

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2. The expected loss provision is calculated for loans under stage 1 by calculating the 1-year maturity, while the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity. The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the second stage are the close monitoring, the number of delay days being 30 and above, and the Bank’s internal early warning system note.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Default (stage 3/special provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: Having past due more than 90 days
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective interest rate and discounted cash flows. When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are the ratio of Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

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IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when and only when the Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

The properties obtained from the Parent Bank’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of a bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The bank has no discontinued operations.

As of 31 December 2018, the Parent Bank’s held for sale assets is TL 4.259 (31 December 2017: TL 3.561).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the Parent Bank has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Parent Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software’s initial costs and amortized over 3-15 years considering the useful life.

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XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

Vehicles and Fixtures :	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Transactions as a lessee

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 “Leases”. Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Payable”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Payable” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Profit Share Expenses”.

Transactions as a lessor

The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

The Parent Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

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For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits”.

According to the related regulation, the Group is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling). Employment Termination Benefit is calculated based on actuarial assumptions.

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2018, the Bank’s employee termination benefit is TL 5.056 (31 December 2017: TL 2.330).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2018 unused vacation liability of the Bank is TL 3.584 (31 December 2017: TL 2.389).

The Group does not employ its personnel by means of limited-period contracts.

b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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After the justified decree related to cancellation was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws” (“Renewed Law”), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SSI, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

According to the 58th And the temporary 7th Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization’s personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20th Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

The technical balance sheet report as of 31 December 2018 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

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XVII. EXPLANATIONS ON TAXATION

a. Current tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

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

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

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

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

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

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b. Deferred tax

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax”, the Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

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

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

Borrowings are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Parent Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

The decision to increase the capital to TL 1.750.000 was approved at the Extraordinary General Assembly of the Parent Bank held on September 20, 2018, and the capital increase and accordingly the amendment to the related article of the Articles of Association were registered on 23 October 2018 and it was announced in the Trade Registry Gazette No. 9691. The accounting for the related capital increase was made on 7 November 2018 with the permission of BRSA.

XX. EXPLANATIONS ON ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” commitments.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Group as of the balance sheet date.

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XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXIII. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Group, are disclosed in Note XII. of Section Four.

XXIV. EXPLANATIONS ON OTHER MATTERS

Adoption of TFRS 9 financial instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and interest.

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Explanations on the impact of TFRS 9 implementation of the Parent Bank are below.

Reconciliation of statement of financial position balances to TFRS 9

	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
ASSETS	31.12.2017			01.01.2018
FINANCIAL ASSETS (NET)	2.446.480	(792)	531	2.446.219
Cash and Cash Equivalents	1.922.270	-	-	1.922.270
Cash and Balances with Central Bank	1.643.689	-	-	1.643.689
Banks	278.581	-	-	278.581
Money Markets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	524.173	-	-	524.173
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative Financial Assets	37	-	-	37
Non-Performing Financial Assets	-	-	-	-
Expected Loss Provision (-)	-	792	(531)	261
LOANS (NET)	11.747.688	(98.291)	62.130	11.711.527
Loans	11.747.688	(98.291)	62.130	11.711.527
Measured at Amortized Cost	11.730.935	-	-	11.730.935
Non-Performing Loans	34.841	-	-	34.841
Expected Loss Provision (-)	18.088	98.291	(62.130)	54.249
<i>12 Month Expected Credit Losses (Stage I)</i>	-	<i>97.427</i>	<i>(66.180)</i>	<i>31.247</i>
<i>Significant Increase in Credit Risk (Stage II)</i>	-	<i>864</i>	<i>1.593</i>	<i>2.457</i>
<i>Credit-Impaired Losses (Stage III/Special Provision)</i>	<i>18.088</i>	-	<i>2.457</i>	<i>20.545</i>
PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	3.561	-	-	3.561
Investments in Associates (Net)	100	-	-	100
Subsidiaries (Net)	-	-	-	-
Joint Ventures (Net)	100	-	-	100
PROPERTY AND EQUIPMENT (Net)	47.235	-	-	47.235
INTANGIBLE ASSETS (Net)	63.280	-	-	63.280
INVESTMENT PROPERTY (Net)	-	-	-	-
OTHER ASSETS	41.799	-	7.472	49.271
TOTAL ASSETS	14.350.143	(99.083)	70.133	14.321.193

⁽¹⁾ Financial assets classified as available for sale financial assets at 31 December 2017 reclassified as Financial Assets Measured at Fair Value Through Other Comprehensive Income at 1 January 2018. Since the measurements of the previous and current accounts are the same, the classification change had no effect.

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	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
LIABILITIES AND EQUITY	31.12.2017			01.01.2018
FUNDS COLLECTED	10.024.595	-	-	10.024.595
FUNDS BORROWED	2.607.114	-	-	2.607.114
MONEY MARKETS DEBTS	32.462	-	-	32.462
SECURITIES ISSUED (Net)	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	6.280	-	-	6.280
FINANCE LEASE PAYABLES	-	-	-	-
PROVISIONS	142.291	(99.083)	44.473	87.681
General Provisions	99.083	(99.083)	-	-
Employee Benefits Provisions	4.719	-	-	4.719
Other Provisions	38.489	-	44.473	82.962
Current Tax Liability	27.435	-	-	27.435
Deferred Tax Liability	-	-	-	-
OTHER LIABILITIES	106.285	-	-	106.285
SHAREHOLDERS' EQUITY	1.403.681	-	25.660	1.429.341
Paid-in capital	1.250.000	-	-	1.250.000
Capital Reserves	(14.912)	-	-	(14.912)
Other Capital Reserve	-	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(14.912)	-	-	(14.912)
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	-	-	-	-
Tangible Assets Revaluation Reserves	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-
Profit Reserves	9.691	-	-	9.691
Legal Reserves	1.308	-	-	1.308
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.843	-	-	3.843
Other Profit Reserves	4.540	-	-	4.540
Profit or Loss	158.902	-	25.660	184.562
Prior Years Profit/Loss	-	-	25.660	25.660
Net Period Profit/Loss	158.902	-	-	158.902
TOTAL LIABILITIES AND EQUITY	14.350.143	(99.083)	70.133	14.321.193

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	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	116.379	(62.130)	54.249
Stage 1 ^(*)	97.427	(66.180)	31.247
Stage 2 ^(*)	864	1.593	2.457
Stage 3	18.088	2.457	20.545
Financial Assets ^(**)	792	(531)	261
Non-cash Loans	9.701	2.320	12.021
Stage 1 and 2	8.111	2.030	10.141
Stage 3	1.590	290	1.880
Total	126.872	(60.341)	66.531

^(*) Represents general provisions for stage 1 and 2 loans before TFRS 9.

^(**) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

Explanations on prior period accounting policies not available for the current period

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

a. Financial assets at the fair value through profit or loss:

Financial Assets at the Fair Value Through Profit or Loss have two sub categories: “Trading Financial Assets” and “Financial Assets at Fair Value Through Profit/Loss”.

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Group has no financial assets at fair value through profit or loss.

b. Available-for-sale financial assets:

Available-for-sale financial assets refer to financial assets other than the ones classified as “loans and receivables”, “held-to-maturity assets” or “financial assets at fair value through profit or loss”.

Available for sale assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

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Available-for-sale financial assets are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method, Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira (“TL”) accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

d. Held-to-maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted by setting forth provision for impairment loss (impairment loss expense) or by posting profit share income.

Held to maturity assets are initially recognized at cost value.

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 December 2018 current period capital amount of the Group is TL 2.164.339 (31 December 2017: TL 1.259.583), and capital adequacy standard ratio is 12,76% (31 December 2017: 13,06%).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Information Related To The Components of Shareholders’ Equity:

	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	158.593	
Gains recognized in equity as per TAS	305	
Profit	348.325	
Current Period Profit	322.665	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2.257.223	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	38.639	
Improvement costs for operating leasing	18.408	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	80.396	
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 valued liabilities	-	
Defined-benefit pension fund net assets	1.728	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in 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	-	
Portion of the total of net long positions of investments made in 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 exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments 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	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the 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	139.171	
Total Common Equity Tier 1 Capital	2.118.052	

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

	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
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 I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
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 above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	2.118.052	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	47.962	
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	
Tier II Capital Before Deductions	47.962	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in 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 (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item 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	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	47.962	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.166.014	

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Current Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	1,075	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
TOTAL CAPITAL		
Total Capital	2,164,939	
Total risk weighted amounts ^(**)	16,782,005	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,62	
Tier 1 Capital Adequacy Ratio	12,62	
Capital Adequacy Ratio	12,76	
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	0,00	
c) Systemic significant bank buffer ratio	0,00	
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	8,12	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of 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 above Tier I capital	-	
Portion of the total of 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 above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47,962	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47,962	
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 I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

^(*) Amounts in this column represents the amounts of items that are subject to transition provisions

^(**) Legal capital amount used in capital adequacy calculation which has been taken into consideration as not included BHFOR effect is TL 2.140.475.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.250.000	
Share issue premiums	-	
Reserves	9.691	
Gains recognized in equity as per TAS	-	
Profit	158.902	
Current Period Profit	158.902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Premiums on sale of share certificates	-	
Common Equity Tier 1 Capital Before Deductions	1.418.593	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14.912	
Improvement costs for operating leasing	15.987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50.624	
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 valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in 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	-	
Portion of the total of net long positions of investments made in 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 exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Total Deductions From Common Equity Tier 1 Capital	81.523	
Total Common Equity Tier 1 Capital	1.337.070	

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
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 I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
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 above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	12.656	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	12.656	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.324.414	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	36.348	
Tier II Capital Before Deductions	36.348	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in 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 (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item 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	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	36.348	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1.360.762	

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As of 31 December 2018

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

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	101.179	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total Capital	1.259.583	
Total risk weighted amounts	9.643.419	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	13,87	
Tier 1 Capital Adequacy Ratio (%)	13,73	
Capital Adequacy Ratio (%)	13,06	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	1,25	
a) Capital conservation buffer requirement	1,25	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
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 (%)	9,36	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of 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 above Tier I capital	-	
Portion of the total of 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 above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36.348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36.348	
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 I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

^(*) Amounts in this column represents the amounts of items that are subject to transition provisions

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Information of the borrowing instruments to be included in equity calculation:

None.

Required explanations for the reconciliation between table of equity components and balance sheet:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of general provision from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts are taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

	Balance Sheet Value	Adjustment Effect	Value in capital calculation form
Paid-in capital	1.750.000	-	1.750.000
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	(38.639)	(38.639)
Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income	(38.334)	38.639	305
Profit reserves	158.593	-	158.593
Profit or loss	348.325	-	348.325
Prior Periods' Income or (Loss)	25.660	-	25.660
Profit or loss for the current period	322.665	-	322.665
Deductions from capital	-	(100.532)	(100.532)
Common Equity Tier 1 Capital	-	-	2.118.052
Tier 1 Capital	-	-	2.118.052
General provisions	-	47.962	47.962
Debt instruments and share issue premiums deemed suitable by the BRSA (*)	-	-	-
Tier II Capital	-	47.962	47.962
Deductions to be defined by the BRSA (-)	-	1.075	1.075
Total Capital	2.218.584	-	2.164.939

II. EXPLANATIONS ON CREDIT RISK

The Credit risk states the debtor or institution's probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management's Credit Committee and the authorization limits which was given by Board of Directors, Financial and non-financial informations, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

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

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank’s credit risk expected to be significantly decline.

Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

The Bank makes provision as proposed with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monitory transactions.

The Bank calculate specific provisions which is classified as an illiquid claim considering with related deposits received from customers as stated in “Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves”.

The receivable of the Parent Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is %55,17 and %65,14 (31 December 2017: %50,43 and %60,57).

The receivable of the Parent Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 59,75% and %72,39 (31 December 2017: %56,73 and %71,10).

The receivable of the Parent Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is %56,85 and %67,80 (31 December 2017: %41,28 and %52,90).

The Banks general loan loss provision amount for its credit risk is TL 84.621 (31 December 2017: TL 99.082).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
Current Period							
Domestic	2.612.856	-	7.997	-	-	2.218.083	14.191.836
European Union Countries	-	-	-	-	-	115.275	-
OECD Countries ⁽¹⁾	-	-	-	-	-	1.281	-
Off-shore Banking Regions	-	-	-	-	-	63	-
USA, Canada	-	-	-	-	-	43.985	-
Other Countries	-	-	-	-	-	12.215	4.329
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	2.612.856		7.997			2.390.902	14.196.165

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
Prior Period							
Domestic	2.178.097	-	84.658	-	-	1.270.572	8.382.582
European Union Countries	-	-	-	-	-	58.927	-
OECD Countries ⁽¹⁾	-	-	-	-	-	750	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	3.983	-
Other Countries	-	-	-	-	-	76.780	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	2.178.097		84.658			1.411.015	8.382.582

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

⁽²⁾ Consists of assets and liabilities that cannot be distributed according to a consistent framework.

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
1.376.029	1.935.066	91.375	-	-	-	-	-	116.555	22.549.797
-	-	-	-	-	-	-	-	-	115.275
-	-	-	-	-	-	-	-	-	1.281
-	-	-	-	-	-	-	-	-	63
-	-	-	-	-	-	-	-	-	43.985
-	-	-	30.164	-	-	-	-	-	46.708
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1.376.029	1.935.066	91.375	30.164	-	-	-	-	116.555	22.757.109

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
1.033.272	1.294.917	7.793	2.027	-	-	-	-	103.064	14.356.982
-	-	-	-	-	-	-	-	-	58.927
-	-	-	-	-	-	-	-	-	750
-	-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-	3.983
-	-	-	-	-	-	-	-	-	76.780
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1.033.272	1.294.917	7.793	2.027	-	-	-	-	103.064	14.497.425

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Risk Profile by Sectors or Counterparties

Current Period Sectors/Counter Parties	Risk Classes							Conditional and unconditional corporate receivables
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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		
Agriculture	-	-	-	-	-	-	-	167.816
Farming and Stockbreeding	-	-	-	-	-	-	-	165.848
Forestry	-	-	-	-	-	-	-	1.968
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	6.709.315
Mining and Quarrying	-	-	-	-	-	-	-	228.911
Production	-	-	-	-	-	-	-	6.074.635
Electric, Gas and Water	-	-	-	-	-	-	-	405.769
Construction	-	-	-	-	-	-	-	2.999.326
Services	2.612.856	-	7.997	-	-	2.390.902	-	4.236.792
Wholesale and Retail Trade	-	-	-	-	-	-	-	2.422.604
Hotel Food and Beverage Services	-	-	-	-	-	-	-	75.722
Transportation and Telecommunication	-	-	-	-	-	-	-	415.185
Financial Institutions	2.612.856	-	2.824	-	-	2.390.902	-	330.671
Real Estate and Leasing Services	-	-	-	-	-	-	-	774.680
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	24.110
Health and Social Services	-	-	5.173	-	-	-	-	193.820
Other	-	-	-	-	-	-	-	82.916
Total	2.612.856	-	7.997	-	-	2.390.902	-	14.196.165

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
13.926	5.274	600	-	-	-	-	-	-	161.742	25.874	187.616
9.989	4.824	600	-	-	-	-	-	-	155.657	25.604	181.261
3.356	-	-	-	-	-	-	-	-	5.054	270	5.324
581	450	-	-	-	-	-	-	-	1.031	-	1.031
386.972	236.014	11.713	-	-	-	-	-	-	2.283.557	5.060.457	7.344.014
10.291	2.779	-	-	-	-	-	-	-	42.759	199.222	241.981
369.755	220.762	11.713	-	-	-	-	-	-	1.965.012	4.711.853	6.676.865
6.926	12.473	-	-	-	-	-	-	-	275.786	149.382	425.168
168.416	489.634	29.073	-	-	-	-	-	-	2.403.786	1.282.663	3.686.449
549.707	361.346	49.806	30.164	-	-	-	-	-	5.526.159	4.713.411	10.239.570
427.177	184.752	23.275	-	-	-	-	-	-	1.831.224	1.226.584	3.057.808
13.351	15.881	81	-	-	-	-	-	-	36.189	68.846	105.035
22.146	4.885	198	-	-	-	-	-	-	111.292	331.122	442.414
2.710	-	-	30.164	-	-	-	-	-	2.915.941	2.454.186	5.370.127
66.859	115.970	23.584	-	-	-	-	-	-	503.080	478.013	981.093
-	-	-	-	-	-	-	-	-	-	-	-
4.843	32.941	1.992	-	-	-	-	-	-	49.147	14.739	63.886
12.621	6.917	676	-	-	-	-	-	-	79.286	139.921	219.207
257.008	842.798	183	-	-	-	-	-	116.555	1.113.426	186.034	1.299.460
1.376.029	1.935.066	91.375	30.164	-	-	-	-	116.555	11.488.670	11.268.439	22.757.109

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Risk Profile by Sectors or Counterparties

Prior Period Sectors/Counter Parties	Risk Classes							Conditional and unconditional corporate receivables
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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		
Agriculture	-	-	-	-	-	-	-	79.855
Farming and Stockbreeding	-	-	-	-	-	-	-	77.031
Forestry	-	-	-	-	-	-	-	1.418
Fishing	-	-	-	-	-	-	-	1.406
Manufacturing	-	-	-	-	-	-	-	3.447.915
Mining and Quarrying	-	-	-	-	-	-	-	91.600
Production	-	-	-	-	-	-	-	3.212.657
Electric, Gas and Water	-	-	-	-	-	-	-	143.658
Construction	-	-	-	-	-	-	-	1.946.310
Services	2.178.097	-	82.903	-	-	1.411.015	-	2.827.739
Wholesale and Retail Trade	-	-	-	-	-	-	-	1.716.082
Hotel Food and Beverage Services	-	-	-	-	-	-	-	25.548
Transportation and Telecommunication	-	-	-	-	-	-	-	74.349
Financial Institutions	2.178.097	-	82.900	-	-	1.411.015	-	185.623
Real Estate and Leasing Services	-	-	-	-	-	-	-	701.029
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	29.830
Health and Social Services	-	-	3	-	-	-	-	95.278
Other	-	-	1.755	-	-	-	-	80.762
Total	2.178.097	-	84.658	-	-	1.411.015	-	8.382.581

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
11.587	5.767	-	-	-	-	-	-	-	80.833	16.376	97.209
7.439	5.542	-	-	-	-	-	-	-	73.636	16.376	90.012
4.148	-	-	-	-	-	-	-	-	5.566	-	5.566
0	225	-	-	-	-	-	-	-	1.631	-	1.631
260.712	127.328	47	229	-	-	-	-	-	1.739.873	2.096.358	3.836.231
3.122	-	-	-	-	-	-	-	-	45.244	49.478	94.722
256.586	122.465	47	229	-	-	-	-	-	1.547.561	2.044.423	3.591.984
1.004	4.863	-	-	-	-	-	-	-	147.068	2.457	149.525
102.837	329.227	2.534	205	-	-	-	-	-	1.973.162	407.951	2.381.113
424.957	242.649	5.212	1.432	-	-	-	-	-	4.977.304	2.196.700	7.174.004
324.489	111.785	5.212	1.432	-	-	-	-	-	1.864.225	294.775	2.159.000
11.493	8.209	-	-	-	-	-	-	-	32.992	12.258	45.250
21.148	798	-	-	-	-	-	-	-	95.713	582	96.295
884	-	-	-	-	-	-	-	-	2.203.350	1.655.169	3.858.519
59.107	109.863	-	-	-	-	-	-	-	723.955	146.044	869.999
-	-	-	-	-	-	-	-	-	-	-	-
3.250	11.659	-	-	-	-	-	-	-	37.271	7.468	44.739
4.586	335	-	-	-	-	-	-	-	19.798	80.404	100.202
233.179	589.946	-	162	-	-	-	-	103.064	955.904	52.965	1.008.868
1.033.272	1.294.917	7.793	2.028	-	-	-	-	103.064	9.727.076	4.770.350	14.497.425

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1.385.243	3.469	78.412	-	1.145.732
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	32	496	7.469
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2.375.853	-	-	4.566	10.483
Conditional and unconditional exposures to corporates	507.586	1.540.540	2.312.046	3.474.044	6.361.949
Conditional and unconditional retail exposures	64.318	98.155	203.851	320.058	689.647
Conditional and unconditional exposures secured by real estate property	21.654	27.026	75.019	154.802	1.656.565
Past due receivables	91.375	-	-	-	-
Receivables defined in high risk category by BRSA	30.164	-	-	-	-
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	116.555	-	-	-	-
Grand Total	4.592.748	1.669.190	2.669.360	3.953.966	9.871.845

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	2.539.811	-	2.491.245	995.131	2.196.952	1.373.343	14.117.461	30.164	-	-	-	98.804
2	Exposures after Credit Risk Mitigation	3.342.825	-	2.586.240	995.131	2.544.166	1.086.051	13.159.528	30.164	-	-	-	98.804

Prepared with the numbers after conversion rate to credit.

Information on Significant Sectors or Counterparty Based:

Impaired Credits; are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Expected Credit Loss” calculation is made within the scope of Regulation on Provisions.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Past Due Credits; are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits “Expected Credit Loss” calculation is made within the scope of Regulation for Provisions.

	Loans			Non performing (Provision Regulation)	Expected Credit Losses (Stage 2 and Stage 3)
	Impaired (TFRS9)				
Current period	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)			
Agriculture	16.025	4.643	-	-	2.741
Farming and raising livestock	11.934	2.728	-	-	1.641
Forestry	3.728	1.424	-	-	878
Fishing	363	491	-	-	222
Manufacturing	477.252	109.173	-	-	79.109
Mining	186.234	1.066	-	-	508
Production	291.018	108.107	-	-	78.598
Electricity, gas, water	-	-	-	-	3
Construction	303.739	31.225	-	-	22.270
Services	270.537	93.626	-	-	63.108
Wholesale and retail trade	186.712	47.732	-	-	36.510
Hotel food, beverage services	17.881	11	-	-	11
Transportation and telecommunication	25.399	27.351	-	-	13.772
Financial institutions	-	-	-	-	-
Real estate and lending service	39.819	14.704	-	-	11.092
Self-employment service	-	-	-	-	-
Education service	-	3.828	-	-	-
Health and social services	726	-	-	-	1.723
Other	8.168	1.493	-	-	8.187
Total	1.075.721	240.160	-	-	175.415

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Loans			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture				
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	9.718	17.308	346	5.453
Mining and Quarrying	-	1.304	26	-
Production	9.718	16.004	320	5.453
Electricity, Gas and Water	-	-	-	-
Construction	5.214	10.393	208	2.023
Services	12.800	8.041	161	8.607
Wholesale and Retail Trade	12.800	5.795	116	8.607
Accommodation and Dining	-	2.246	45	-
Transportation and Telecom,	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	7.109	2.107	142	2.005
Total	34.841	37.849	857	18.088

Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Stage 3 Provisions	20.546	105.347	(2.115)	-	123.778
2 Stage 1 and 2 Provisions	33.964	71.272	(20.615)	-	84.621

Notes to the Consolidated Financial Statements As of 31 December 2018

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

The table below shows the maximum exposure to credit risk for the components of the financial statements. The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period
Financial Assets at Fair Value Through Profit/Loss	56
Banks	787.671
Interbank Money Market Placements	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.299.465
Financial Assets Measured at Amortised Cost	-
Loans	17.035.591
Receivables From Leasing Transactions	703.834
Other Assets	-
Total credit risk exposure of balance sheet items	19.826.617
Financial Guarantees	10.283.442
Commitments	358.815
Total credit risk exposure of off-balance sheet items	10.642.257
Total credit risk exposure	30.468.874
	Prior Period
Financial Assets at Fair Value Through Profit/Loss	37
Banks	278.581
Interbank Money Market Placements	-
Available-for-sale Financial Assets	519.454
Held-to-maturity Investments	-
Loans	11.374.744
Receivables From Leasing Transactions	372.944
Other Assets	-
Total credit risk exposure of balance sheet items	12.545.760
Financial Guarantees	6.111.538
Commitments	132.756
Total credit risk exposure of off-balance sheet items	6.244.294
Total credit risk exposure	18.790.054

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Information about credit quality per class of financial assets:

Financial Assets	Current Period		Total
	Neither past due nor impaired	Past due but not impaired	
Banks	787.671	-	787.671
Derivative Financial Assets	56	-	56
Loans	15.928.109	1.075.721	17.003.830
Corporate/Entrepreneurial Loans	14.319.501	1.069.764	15.389.265
Consumer Loans	1.608.608	5.957	1.614.565
Specialized Loans	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.299.465	-	1.299.465
Financial Assets at Fair Value Through Profit/Loss	-	-	-

Financial Assets	Prior Period		Total
	Neither past due nor impaired	Past due but not impaired	
Banks	278.581	-	278.581
Financial Assets at Fair Value Through Profit or Loss	37	-	37
Loans	11.318.542	39.449	11.357.991
Corporate/Entrepreneurial Loans	9.952.953	37.565	9.990.518
Consumer Loans	1.365.589	1.884	1.367.473
Specialized Loans	-	-	-
Available-for-sale Financial Assets	519.454	-	519.454
Held-to-maturity Investments	-	-	-

III. EXPLANATIONS ON COUNTER-CYCLICAL CAPITAL BUFFER CALCULATIONS RISK

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2018 the Bank does not have any receivables from abroad apart from the Banks, however the Bank discretely uses the uppermost ratio determined by BRSA, which is 0%. The geographical distribution of receivables from the private sector taken into account in the calculation of the bank-specific counter-cyclical capital buffer is described in the following table:

Country name	RWA for banking accounts	RWA for trading accounts	TOTAL
Saudi Arabia	868	-	868

Notes to the Consolidated Financial Statements As of 31 December 2018

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

IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

a) Whether the Parent Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, “Value at Risk” (“VAR”) is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

Moreover, dealer’s positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

c) Foreign currency risk policy:

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at USD and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

ç) Current foreign exchange bid rates of the Parent Bank for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
25.12.2018	5,2800	5,9968	3,7037	0,8021	0,5780	5,3275	3,8461	0,5986	6,6953	1,3966	4,7410
26.12.2018	5,2713	5,9995	3,7002	0,7996	0,5759	5,3004	3,8369	0,5947	6,6695	1,3944	4,7480
27.12.2018	5,2822	6,0305	3,6969	0,8040	0,5826	5,3514	3,8325	0,5978	6,6660	1,3973	4,7220
28.12.2018	5,2538	6,0137	3,6843	0,8016	0,5836	5,3470	3,8133	0,6013	6,6495	1,3898	4,7160
31.12.2018	5,2780	6,0320	3,7008	0,8040	0,5867	5,3379	3,8309	0,6035	6,7408	1,3964	4,7480

d) Simple arithmetic average of the Parent Bank’s current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
5,2980	6,0268	3,7787	0,8036	0,5833	5,3314	3,9042	0,6106	6,7017	1,4015	4,6771

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Information on the foreign currency risk of the Group:

Current Period	EUR	USD	Other FC (****)	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	375.385	1.016.488	281.630	1.673.503
Banks	595.833	56.725	130.178	782.736
Financial assets at fair value through profit and loss (**)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	121.017	-	-	121.017
Loans (*)	4.203.443	2.205.580	-	6.409.023
Equity Investments	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	60	477	2.154	2.691
Total assets (***)	5.295.738	3.279.270	413.962	8.988.970
Liabilities				
Current account and funds collected from Banks via participation accounts	300	5.608	-	5.908
Current and profit sharing accounts FC	2.840.290	3.649.523	406.829	6.896.642
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.168.844	801.285	-	1.970.129
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	28.957	17.607	-	46.564
Total liabilities (****)	4.038.391	4.474.023	406.829	8.919.243
Net balance sheet position	1.224.053	(1.200.055)	7.133	31.131
Net off-balance sheet position (**)	(1.232.487)	1.242.597	-	10.110
Financial derivative assets	-	1.242.597	-	1.242.597
Financial derivative liabilities	(1.232.487)	-	-	(1.232.487)
Non-cash loans	3.145.078	2.996.581	71.542	6.213.201
Prior Period				
Total assets	2.527.292	2.684.690	158.015	5.369.997
Total liabilities	1.881.951	3.284.917	154.986	5.321.854
Net balance sheet position	645.341	(600.227)	3.029	48.143
Net off-balance sheet position	(634.634)	629.444	-	(5.190)
Financial derivative assets	-	629.444	-	629.444
Financial derivative liabilities	634.634	-	-	634.634
Non-cash loans	1.604.487	1.294.816	38.860	2.938.163

(*) TL 377.117 equivalent of USD loans, and TL 858.024 equivalent of EUR loans are originated from foreign currency indexed loans and financial leasing.

(**) Indicates the net balance of receivables and payables on derivative financial instruments.

(***) In accordance with the principles of the “Regulation on Measurement and Practices of Banks’ Net Overall FC Position/Shareholders’ Equity Ratio on a Consolidated and Unconsolidated Basis”, Foreign Currency Expense Accruals of Derivative Financial Assets TL 56 and Derivative Financial Liabilities TL 6.145 are not included.

(****) Of the foreign currencies presented in the other foreign currency column of assets 94% is Gold, 2% is GBP and remaining 2% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 96% is Gold, 2% is GBP and the remaining 2% is other foreign currencies.

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V. EQUITY SHARE POSITION RISK ORIGINATED FROM BANKING ACCOUNTS

Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 7.897 all of which are 100% risk weighted (31 December 2017: TL 7.181).

VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of “Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management”.

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank’s liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA weekly on unconsolidated basis and monthly on consolidated basis in accordance with “Regulation for Regulation on Banks’ Liquidity Coverage Ratio Calculation” issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

1) LIQUIDITY RISK:

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank’s Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank’s fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to be paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:

Although Bank’s assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

ç) Evaluation of the banks cash flow rates and its sources:

The Parent Bank’s main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank’s resource needs.

2) Liquidity Coverage Ratio:

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the banks’ net cash outflow, calculated within the scope of “Calculation of The Liquidity Coverage Ratio” regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank’s asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank’s premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey’s Treasury along with cash assets and care of Central Bank of the Republic of Turkey’s accounts.

The Parent Bank’s principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank’s main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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

Current Period	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.811.586	1.600.247	2.811.586	1.600.247
High quality liquid assets	-	-	2.811.586	1.600.247
CASH OUTFLOWS	22.228.336	10.520.373	5.710.025	3.129.897
Real person deposits and retail deposits	7.500.634	3.492.136	684.961	349.214
Stable deposit	1.302.045	-	65.102	-
Deposit with low stability	6.198.589	3.492.136	619.859	349.214
Unsecured debts except real person deposits and retail deposits	7.055.132	3.537.075	3.904.431	1.904.188
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.055.132	3.537.075	3.904.431	1.904.188
Secured debts	-	-	-	-
Other cash outflows	7.672.570	3.491.162	1.120.633	876.495
Derivative liabilities and margin obligations	682.458	653.705	682.458	653.705
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	346.475	323.667	105.993	97.100
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.643.637	2.513.790	332.182	125.690
TOTAL CASH OUTFLOW	-	-	5.710.025	3.129.897
CASH INFLOWS	4.356.139	2.131.504	3.535.259	2.005.171
Secured receivables	-	-	-	-
Unsecured claims	3.667.131	1.458.629	2.846.250	1.332.297
Other cash inflows	689.008	672.874	689.008	672.874
TOTAL CASH INFLOWS	4.356.139	2.131.503	3.535.258	2.005.171
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.811.587	1.600.246
TOTAL NET CASH OUTFLOWS	-	-	2.174.767	1.124.726
LIQUIDITY COVERAGE RATIO (%)	-	-	129	142

^(*) The monthly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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

Prior Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.018.345	1.283.032	2.018.345	1.283.032
High quality liquid assets	-	-	2.018.345	1.283.032
CASH OUTFLOWS	13.514.181	5.333.357	3.430.342	1.768.038
Real person deposits and retail deposits	4.591.572	1.821.619	420.669	182.162
Stable deposit	769.765	-	38.488	-
Deposit with low stability	3.821.807	1.821.619	382.181	182.162
Unsecured debts except real person deposits and retail deposits	4.153.603	1.651.717	2.238.483	966.394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4.153.603	1.651.717	2.238.483	966.394
Secured debts	-	-	-	-
Other cash outflows	4.769.006	1.860.021	771.190	619.482
Derivative liabilities and margin obligations	526.520	520.140	526.520	520.140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130.168	129.394	39.054	38.818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4.112.318	1.210.487	205.616	60.524
TOTAL CASH OUTFLOW	-	-	3.430.342	1.768.038
CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Secured receivables	-	-	-	-
Unsecured claims	1.700.461	584.029	1.339.730	573.052
Other cash inflows	525.472	507.453	525.472	507.453
TOTAL CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.018.345	1.283.032
TOTAL NET CASH OUTFLOWS	-	-	1.565.140	687.533
LIQUIDITY COVERAGE RATIO (%)	-	-	129	187

⁽¹⁾ The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	357.861	1.649.452	-	-	-	-	-	2.007.313
Banks	787.671	-	-	-	-	-	-	787.671
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	669	5.592	144.649	1.148.555	-	4.897	1.304.362
Loans Given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	349.932	349.932
Total Assets	1.145.532	4.162.058	1.482.584	4.985.591	8.662.267	1.395.842	354.829	22.188.703
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.406	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.767
Funds Provided from Other Financial Instruments	-	811.330	561.494	472.036	141.917	-	-	1.986.777
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	348.905	923.573	102.619	-	-	-	1.375.097
Other Liabilities *	-	-	-	-	-	-	2.811.432	2.811.432
Total Liabilities	2.381.324	11.508.446	3.757.211	1.581.021	149.269	-	2.811.432	22.188.703
Liquidity Gap	(1.235.792)	(7.346.388)	(2.274.627)	3.404.570	8.512.998	1.395.842	(2.456.603)	-

^(*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

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Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Prior Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323.220	1.320.469	-	-	-	-	-	1.643.689
Banks	278.581	-	-	-	-	-	-	278.581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2.462	-	2.406	61.297	453.289	-	4.719	524.173
Loans Given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	155.871	8.934	515	3.173	280.272	80.050	-	528.815
Total Assets	760.171	2.773.702	844.683	2.935.362	5.945.584	1.085.818	4.719	14.350.039
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	339	5.007	-	-	-	-	-	5.346
Current and Participation Accounts	1.650.719	6.769.575	1.248.662	346.236	3.948	-	-	10.019.140
Funds Provided from Other Financial Instruments	-	620.612	89.900	1.144.308	194.490	-	-	2.049.310
Money Market Borrowings	-	32.462	-	-	-	-	-	32.462
Issued Marketable Securities	-	7.804	450.000	100.000	-	-	-	557.804
Sundry Creditors	-	-	-	-	-	-	35.715	35.715
Other Liabilities ^(*)	-	-	-	-	-	-	1.650.262	1.650.262
Total Liabilities	1.651.058	7.435.460	1.788.562	1.590.544	198.438	-	1.685.977	14.350.039
Liquidity Gap	(890.887)	(4.661.758)	(943.879)	1.344.818	5.747.146	1.085.818	(1.681.258)	-

^(*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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Presentation of Liabilities According to Their Remaining Maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	26.165	20.051	-	-	-	46.216
Other deposits	11.838.955	2.252.094	1.006.366	7.352	-	15.104.767
Funds borrowed from other financial institutions	811.330	561.494	472.036	141.917	-	1.986.777
Funds borrowed from Interbank money market	864.414	-	-	-	-	864.414
Total	13.540.864	2.833.639	1.478.402	149.269	-	18.002.174
Prior Period						
Bank Deposits	5.007	-	-	-	-	5.007
Other Deposits	6.769.575	1.248.661	346.235	3.949	-	8.368.420
Funds borrowed from other financial institutions	620.611	89.900	1.144.308	194.490	-	2.049.309
Funds borrowed from Interbank Money market	32.462	-	-	-	-	32.462
Total	7.427.655	1.338.561	1.490.543	198.439	-	10.455.198

VII. EXPLANATIONS ON LEVERAGE RATIO

As of December 31, 2018, the leverage ratio of the Group calculated from the average of three months is 6,1%. (31 December 2017: 6,6%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital.

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Leverage ratio disclosure as follows:

Balance sheet assets	Current Period ^(*)	Prior Period
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	21.113.486	13.721.760
(Assets deducted from main capital)	(99.705)	(81.514)
Total risk amount of the balance sheet assets	21.013.781	13.640.246
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11.550	630
Potential credit risk amount of derivative financial instruments and credit derivatives	13.565	6.357
Total risk amount of derivative financial instruments and credit derivative	25.115	6.987
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	36.567	160.316
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	36.567	160.316
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	11.021.090	6.207.549
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	11.021.090	6.207.549
Equity and total risk		
Main capital	1.970.244	1.318.315
Total risk amount	32.096.553	20.015.098
Leverage ratio		
Leverage ratio	6,1	6,6

^(*) Amounts in the table are obtained on the basis of three-month weighted average.

VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

IX. EXPLANATIONS ON RISK MANAGEMENT

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

Within the scope of risk management, there are many risks that affect the Bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of the Bank and is aimed to respond to our customers’ financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Notes to the Consolidated Financial Statements As of 31 December 2018

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Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

1. Explanations on Risk Management and Risk-weighted Assets:

a) Overview of Risk-weighted Assets

Overview of RWA	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	15.955.756	9.308.200	1.276.460
2 Standardized approach (SA)	15.955.756	9.308.200	1.276.460
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	204.871	5.091	16.390
5 Standardized approach for counterparty credit risk (SA-CCR)	204.871	5.091	16.390
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies - look-through approach	-	-	-
9 Investments made in collective investment companies - mandate-based approach	-	-	-
10 Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 RB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	129.986	44.918	10.399
17 Standardized approach (SA)	129.986	44.918	10.399
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk ^(*)	491.392	285.210	39.311
20 Basic Indicator Approach	491.392	285.210	39.311
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	16.782.005	9.643.419	1.342.560

Notes to the Consolidated Financial Statements As of 31 December 2018

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

2. Linkages Between Financial Statements and Regulatory Exposures

a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values under scope of regulatory consolidation	Carrying values of items in accordance with TAS			Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	
Assets					
Cash and balances at central bank	2.007.312	2.007.312	-	1.673.503	-
Financial assets held for trading	56	-	56	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	787.671	787.671	-	782.736	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	1.303.187	1.303.187	973.936	121.017	-
Loans and receivables	17.035.591	17.035.591	-	4.969.829	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	703.834	703.834	-	204.053	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	52.115	33.707	-	-	18.408
Intangible assets (net)	80.396	-	-	-	80.396
Investment properties (net)	-	-	-	-	-
Tax assets	49.870	49.870	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	4.259	4.259	-	-	-
Other assets	164.412	164.412	-	2.691	-
Total Assets	22.188.703	22.089.843	973.992	7.753.829	98.804
Liabilities					
Deposits	15.150.983	-	-	6.902.550	-
Derivative financial liabilities held for trading	6.145	-	-	6.145	-
Loans	1.986.777	-	-	1.970.129	-
Debt to money markets	864.414	-	864.414	-	-
Debt securities issued	1.375.097	-	-	-	-
Funds	-	-	-	-	-
Various Debts	-	-	-	-	-
Other Debts	400.337	-	-	32.133	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	415	-	-	415	-
Derivative financial liabilities held for hedge	-	-	-	-	-
Provisions	131.964	-	-	14.016	-
Tax liability	53.987	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Equity	2.218.584	-	-	-	-
Total Liabilities	22.188.703	-	864.414	8.925.388	-

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Total	Items subject to credit risk framework	Securitisation Position	Items subject to counterparty credit risk framework	Items subject to market risk framework
Asset carrying value amount under scope of regulatory consolidation	22.188.703	22.089.842	-	973.992	7.753.829
Liabilities carrying value amount under regulatory scope of consolidation	864.414	-	-	864.414	-
Total net amount under regulatory scope of consolidation	21.324.289	22.089.842	-	109.578	-
Off-balance sheet amounts	10.961.502	10.554.192	-	407.310	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-	-

3. Explanations on Credit Risk

1. General information about credit risk

a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank’s assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of the Bank. Taking into consideration the risk appetite of the Bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank’s strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank’s strategies and targets.

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/ Amortization and impairment	Net value
Loans	240.160	17.707.665	123.778	17.824.047
Debt instruments	-	1.335.442	35.977	1.299.465
Off-balance sheet receivables	-	10.554.192	-	10.554.192
Total	240.160	29.597.299	159.755	29.677.704

⁹⁾ Financial Lease amount of TL 703.834 is included to the table.

c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount	34.841
2	Default credits and debt instruments since the last reporting period	205.319
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	240.160

d) Additional disclosures about the credit quality of assets

i. 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 and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the “Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be Made”.

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

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

iii. Definitions of methods used when setting the allowance

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required.

iv. The Banks own definition of a restructured exposure

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

	Loans			Provisions for Expected Credit Losses
	Significant Increase in credit risk (Stage 2)	Impaired (IFRS 9) Defaulted (Stage 3)	Non performing (Provision Regulations)	
Current period				
Domestic	1.075.721	240.160	240.160	207.628
EU countries	-	-	-	16
USA, Canada	-	-	-	6
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	749
Total	1.075.721	240.160	240.160	208.399

Prior Period	Loans and Receivables	Non Performing Loans	Special Provisions	Total
Domestic	11.282.385	34.841	18.088	11.299.138
EU countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	75.606	-	-	75.606
Total	11.357.991	34.841	18.088	11.374.744

	Loans	Non performing loans	Expected Loss Provision	Total
Agriculture	319.891	4.643	3.183	321.351
Farming and Stockbreeding	245.851	2.728	2.006	246.573
Forestry	66.108	1.424	943	66.589
Fishery	7.932	491	234	8.189
Manufacturing	7.204.630	109.173	95.316	7.218.487
Mining and Quarrying	954.611	1.066	1.512	954.165
Production	5.977.816	108.107	92.741	5.993.182
Electricity, Gas and Water	272.203	-	1.063	271.140
Construction	3.139.236	31.225	30.409	3.140.052
Services	5.337.892	93.626	68.089	5.363.429
Wholesale and Retail Trade	2.046.400	47.732	39.437	2.054.695
Accommodation and Dining	55.775	11	105	55.681
Transportation and Telecom	289.081	27.351	14.350	302.082
Financial Institutions	-	-	-	-
Real Estate and Rental Services	2.841.458	14.704	12.079	2.844.083
Professional Services	-	-	-	-
Educational Services	56.091	3.828	244	59.675
Health and Social Services	49.087	-	1.874	47.213
Other	1.706.015	1.493	11.402	1.696.106
Total	17.707.664	240.160	208.399	17.739.425

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	207.642	-	-	207.642
Farming and Stockbreeding	150.319	-	-	150.319
Forestry	52.615	-	-	52.615
Fishery	4.708	-	-	4.708
Manufacturing	4.477.817	9.718	5.453	4.482.082
Mining and Quarrying	286.181	-	-	286.181
Production	4.026.740	9.718	5.453	4.031.005
Electricity, Gas and Water	164.896	-	-	164.896
Construction	1.501.198	5.214	2.023	1.504.389
Services	3.505.472	12.800	8.607	3.509.665
Wholesale and Retail Trade	1.402.871	12.800	8.607	1.407.064
Accommodation and Dining	74.150	-	-	74.150
Transportation and Telecom	427.308	-	-	427.308
Financial Institutions	-	-	-	-
Real Estate and Rental Services	1.461.198	-	-	1.461.198
Professional Services	-	-	-	-
Educational Services	34.531	-	-	34.531
Health and Social Services	105.414	-	-	105.414
Other	1.665.862	7.109	2.005	1.670.966
Total	11.357.991	34.841	18.088	11.374.744

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Current Period								
Loans given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Prior Period								
Loans given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744

Notes to the Consolidated Financial Statements As of 31 December 2018

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

vi. Aging analysis for past due receivables

Past due but not impaired loans aging analysis based on credit class as follows:

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneurial Loans	18.749	40.987	23.551	83.287
Consumer loans	598	113	72	783
Total	19.347	41.100	23.623	84.070

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 991.651.

Previous Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables				
Corporate/Entrepreneurial Loans	35.808	7.192	4.553	47.553
Consumer loans	1.429	801	-	2.230
Total	37.237	7.993	4.553	49.783

3.2) Credit risk mitigation

a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the Bank’s lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not subjected as collateral.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	16.386.571	1.437.476	998.648	1.283.498	894.287	-	-
Debt instruments	1.299.465	-	-	-	-	-	-
Total	17.686.036	1.437.476	998.648	1.283.498	894.287	-	-
Default	240.160	-	-	-	-	-	-

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	9.934.785	1.812.904	971.403	1.390.238	914.450	-	-
Debt instruments	516.992	-	-	-	-	-	-
Total	10.451.777	1.812.904	971.403	1.390.238	914.450	-	-
Default	34.841	-	-	-	-	-	-

3.3) Credit risk under standardized approach

a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Parent Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial, Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	2.612.856	-	3.451.564	71.177	174.574	5%
Exposures to regional governments or local authorities	-	-	55.579	2.385	28.982	50%
Exposures to public sector entities	7.404	1.225	7.404	593	5.385	100%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	2.370.125	35.825	2.370.125	20.777	744.095	28%
Exposures to corporates	7.684.267	9.326.942	7.023.006	6.463.958	13.174.921	98%
Retail exposures	975.118	900.221	742.092	375.289	818.025	73%
Exposures secured by residential property	993.258	9.770	993.258	4.773	349.746	35%
Exposures secured by commercial Real Estate	796.892	203.081	796.893	140.142	468.517	50%
Past-due loans	91.375	-	91.375	-	82.871	91%
Higher-risk categories by the Agency Board	30.164	-	30.164	-	45.246	150%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	116.555	-	116.555	-	63.394	54%
Investments in equities	-	-	-	-	-	0%
Total	15.678.014	10.477.064	15.678.015	7.079.094	15.955.756	68%

Notes to the Consolidated Financial Statements As of 31 December 2018

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

c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate)	50% (secured by real estate)	50% (*)	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	3.173.593	-	-	-	-	349.148	-	-	-	-	-	3.522.741
Exposures to regional governments or local authorities	-	-	-	-	-	57.964	-	-	-	-	-	57.964
Exposures to public sector entities	2.612	-	-	-	-	-	-	5.385	-	-	-	7.997
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1.514.068	-	-	871.106	-	5.728	-	-	-	2.390.902
Exposures to corporates	95.375	-	87.069	-	-	294.026	-	13.010.494	-	-	-	13.486.964
Retail exposures	17.925	-	10.719	-	-	2.686	1.086.051	-	-	-	-	1.117.381
Exposures secured by residential property	-	-	-	995.131	-	2.900	-	-	-	-	-	998.031
Exposures secured by commercial real estate	-	-	-	-	937.035	-	-	-	-	-	-	937.035
Past-due loans	159	-	-	-	-	16.689	-	74.527	-	-	-	91.375
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	30.164	-	-	30.164
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	53.161	-	-	-	-	-	-	63.394	-	-	-	116.555
Total	3.342.825	-	1.611.856	995.131	937.035	1.594.519	1.086.051	13.159.528	30.164	-	-	22.757.109

X. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while the Parent Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives' offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexness of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Parent Bank, TL and FC liquidity risks are limited due to the committed transactions.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Credit Risks under the IRB (based on internal ratings)

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly, semi annually and annually basis have not been presented since the Bank use the standard approach as of 31 December 2018 for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (“DP”)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (“CRR”) on the Risk Weighted Amounts (“RWA”)

The conversion table of the RWA under the approach of IRB

IRB - Backtesting every Default Probability (“DP”) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the Parent Bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of counterparty credit risk management; In accordance with the structure, size and complexity of its products and activities, it ensures that the results of the identification, measurement, monitoring and control of counterparty credit risk are reported to the Senior Management.

It is essential that the Parent Bank manages the counterparty credit risk level in such a way that it ensures that it remains above the minimum limits set forth in the legal regulations.

The Parent Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable, In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of the Bank’s compliance level with allocated limits is done.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Evaluation of counterparty credit risk according to measurement methods

		Replacement cost	Potential future exposure	EEPE ^(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (For Derivatives)	574	12.486		1,4	13.060	6.396
2	Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					973.937	194.787
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						201.183

^(*) Effective expected position amount

c) Capital requirement for loan valuation adjustments

		EAD post-CRM	Risk Weighted Amounts
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardized CVA capital charge	13.060	3.688
4	Total subject to the CVA capital charge	13.060	3.688

Notes to the Consolidated Financial Statements As of 31 December 2018

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

d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk ^(*)
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
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	-	-	974.385	12.612	-	-	-	-	201.183
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
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	-	-	974.385	12.612	-	-	-	-	201.183

^(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

e) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

f) Collaterals for counterparty credit risk

	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	864.414	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	973.937
Total	-	-	-	-	864.414	973.937

g) Credit Derivatives

None.

h) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

i) Risks to the Central Counterparty

None.

5. Securitization Explanations

As of 31 December 2018, there is no securitization position in the Bank (31 December 2017: None).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

6. Explanations on Market risk

a) Qualitative information to be disclosed to the public regarding market risk

The Parent Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Parent Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the Parent Bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk,

In the Parent Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Bank's strategic decision-making process.

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.

Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Standard Approach

		Risk Weighted Amounts
	Outright products	-
1	Interest rate risk (general and specific)	48.100
2	Equity risk (general and specific)	-
3	Foreign exchange risk	81.886
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	Total	129.986

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly basis have not been presented as of 31 December 2018 since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	31.12.2015	31.12.2016	31.12.2017	Total/Number of positive gross income years	Rate (%)	Total
Gross income	71.409	232.815	482.004	262.076	15	39.311
Amount subject to Operational Risk	-	-	-	-	-	491.392

XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
Current Period					
OPERATING INCOME/EXPENSE					
Profit Shares Income	191.401	1.661.127	174.023	64.006	2.090.557
Profit Shares from Loans	191.401	1.661.127	-	-	1.852.528
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	136.942	-	136.942
Other Profit Shares	-	-	37.081	64.006	101.087
Profit Shares Expense	556.583	535.822	227.310	8	1.319.723
Profit Shares Expense on Participation Funds	556.583	535.822	6.838	-	1.099.243
Profit Shares Expense on Funds Borrowed	-	-	54.976	-	54.976
Profit Shares Expense on Money Market Transactions	-	-	24.801	-	24.801
Profit Shares Expense on Securities Issued	-	-	140.695	-	140.695
Other Profit Shares Expense	-	-	-	8	8
Net Profit Shares Income/Expense	(365.182)	1.125.305	(53.287)	63.998	770.834
Net Fees and Commission Income/Expense	9.699	66.607	-	(15.579)	60.727
Fees and Commissions Received	9.699	66.607	-	7.967	84.273
Fees and Commissions Paid	-	-	-	23.546	23.546
Personnel Expenses	-	-	-	123.973	123.973
Dividend Income	-	-	177	-	177
Trading Income/Loss (Net)	-	-	57.781	-	57.781
Other Operating Income	-	64	-	80.148	80.212
Provision for Loans or Other Receivables Losses	24.413	213.567	-	18.041	256.021
Other Operating Expense	-	251	-	174.937	175.188
Income Before Tax	(379.896)	978.158	4.671	(188.384)	414.549
Tax Provision	-	-	-	(91.884)	(91.884)
Net Profit/Loss	(379.896)	978.158	4.671	(280.268)	322.665
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	787.671	-	787.671
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	1.304.362	-	1.304.362
Loans	1.614.565	14.124.399	2.000.461	-	17.739.425
Financial Assets Measured at Amortised Cost	-	-	-	-	-
Derivative Financial Assets	-	-	56	-	56
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.357.189	2.357.189
Total Segment Assets	1.614.565	14.124.399	4.092.550	2.357.189	22.188.703
SEGMENT LIABILITIES					
Funds Collected	10.471.740	4.679.243	-	-	15.150.983
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	1.986.777	-	1.986.777
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	1.375.097	-	1.375.097
Provisions	-	-	-	131.964	131.964
Other Liabilities	-	-	-	454.739	454.739
Shareholders' Equity	-	-	-	2.218.584	2.218.584
Total Segment Liabilities	10.471.740	4.679.243	4.232.433	2.805.287	22.188.703

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

Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
Prior Period					
OPERATING INCOME/EXPENSE					
Profit Shares Income	127.919	757.833	65.030	30.610	981.392
Profit Shares from Loans	127.919	757.833	-	-	885.752
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	48.634	-	48.634
Other Profit Shares	-	-	16.396	30.610	47.006
Profit Shares Expense	187.203	283.549	67.554	-	538.306
Profit Shares Expense on Participation Funds	187.203	283.549	382	-	471.134
Profit Shares Expense on Funds Borrowed	-	-	38.705	-	38.705
Profit Shares Expense on Money Market Transactions	-	-	3.058	-	3.058
Profit Shares Expense on Securities Issued	-	-	25.409	-	25.409
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(59.284)	474.284	(2.524)	30.610	443.086
Net Fees and Commission Income/Expense	2.000	35.266	-	(6.923)	30.343
Fees and Commissions Received	2.000	35.266	-	8.477	45.743
Fees and Commissions Paid	-	-	-	15.400	15.400
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	11.556	-	11.556
Other Operating Income	-	2	-	2.661	2.663
Provision for Loans or Other Receivables Losses	9.420	61.562	-	19.161	90.143
Other Operating Expense	-	366	-	197.165	197.531
Income Before Tax	(66.704)	447.624	9.032	(189.978)	199.974
Tax Provision	-	-	-	(41.072)	(41.072)
Net Profit/Loss	(66.704)	447.624	9.032	(231.050)	158.902
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	37	-	37
Banks and Other Financial Institutions	-	-	278.581	-	278.581
Financial Assets Available for Sale (Net)	-	-	524.173	-	524.173
Loans	1.367.454	8.891.170	1.116.120	-	11.374.744
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.172.504	2.172.504
Total Segment Assets	1.367.454	8.891.170	1.918.911	2.172.504	14.350.039
SEGMENT LIABILITIES					
Funds Collected	6.370.882	3.653.604	-	-	10.024.486
Derivative Financial Liabilities Held for Trading	-	-	6.280	-	6.280
Funds Borrowed	-	-	2.049.310	-	2.049.310
Money Market Funds	-	-	32.462	-	32.462
Securities Issued (Net)	-	-	557.804	-	557.804
Provisions	-	-	-	142.290	142.290
Other Liabilities	-	-	-	133.726	133.726
Shareholders' Equity	-	-	-	1.403.681	1.403.681
Total Segment Liabilities	6.370.882	3.653.604	2.645.856	1.679.697	14.350.039

Notes to the Consolidated Financial Statements As of 31 December 2018

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

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

a) Information regarding the fair value of financial assets and liabilities:

Current Period	Book Value	Fair Value
Financial Assets	19.831.458	19.831.458
Due from Interbank Money Market	-	-
Banks	787.671	787.671
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.304.362	1.304.362
Financial Assets Measured at Amortised Cost	-	-
Loans	17.739.425	17.739.425
Financial Liabilities	18.595.106	18.595.106
Bank Deposits	46.216	46.216
Other Deposits	15.104.767	15.104.767
Funds Borrowed from Other Financial Institutions	1.986.777	1.986.777
Issued Marketable Securities	1.375.097	1.375.097
Miscellaneous Payables	82.249	82.249
Prior Period	Book Value	Fair Value
Financial Assets	12.177.498	12.177.498
Due from Interbank Money Market	-	-
Banks	278.581	278.581
Available-for-sale Financial Assets	524.173	524.173
Held-to-maturity Investments	-	-
Loans	11.374.744	11.374.744
Financial Liabilities	12.667.315	12.667.315
Bank Deposits	5.346	5.346
Other Deposits	10.019.140	10.019.140
Funds Borrowed from Other Financial Institutions	2.049.310	2.049.310
Issued Marketable Securities	557.804	557.804
Miscellaneous Payables	35.715	35.715

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist of short term transactions.

Market price differences are considered on determining the available for sale financial assets book value and fair value. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of loans and other deposits represent the sum of the acquisition cost and accumulated profit share accruals.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	56	-	56
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	56	-	56
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.178.448	121.017	-	1.299.465
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	1.178.448	121.017	-	1.299.465
Total Assets	1.178.448	121.073	-	1.299.521
Trading Derivative Financial Liabilities	-	6.145	-	6.145
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	6.145	-	6.145
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	37	-	37
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	37	-	37
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	511.742	7.712	-	519.454
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	511.742	7.712	-	519.454
Total Assets	511.742	7.749	-	519.491
Trading Derivative Financial Liabilities	-	6.280	-	6.280
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	6.280	-	6.280

Notes to the Consolidated Financial Statements As of 31 December 2018

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

XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

The Parent Bank does not provide trading, custody and fund management services on behalf of and account of the customers. The Bank does not make any lenient transaction contracts.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	22.196	30.965	18.236	22.888
Central Bank of the Republic of Turkey	311.614	1.642.538	287.567	1.314.998
Other	-	-	-	-
Total	333.810	1.673.503	305.803	1.337.886

1.a.1) Information on required reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; according to CBRT's Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	299.510	5.190	282.078	18
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	12.104	1.637.348	5.489	1.314.980
Total	311.614	1.642.538	287.567	1.314.998

⁽¹⁾ TL 731.486 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2017: TL 659.896).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

2. a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	4.935	620.370	3.320	210.669
Foreign Banks	-	162.366	-	64.592
Foreign Head Office and Branches	-	-	-	-
Total	4.935	782.736	3.320	275.261

b) Information on foreign banks accounts:

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	115.192	58.968	-	-
USA, Canada	43.985	3.983	-	-
OECD Countries ⁽¹⁾	1.205	709	-	-
Off-shore Banking Regions	-	-	-	-
Other	1.984	932	-	-
Total	162.366	64.592	-	-

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

3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period
Assets Subject to Repurchase Agreements	834.371
Assets Blocked/Given as Collateral	79.527
Total ^(*)	913.898

^(*) Accruals and provisions for impairment are not included.

Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Prior Period
Assets Subject to Repurchase Agreements	33.531
Assets Blocked/Given as Collateral	459.837
Total ^(*)	493.368

^(*) Accruals and provisions for impairment are not included.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

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

	Current Period
Debt Securities	1.335.443
Quoted in Stock Exchange	1.211.803
Not Quoted in Stock Exchange	123.640
Share Certificates	4.897
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange ^(*)	4.897
Provision for Impairment (-)	35.978
Total	1.304.362

^(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.987.

Information on available for sale financial assets:

	Prior Period
Debt Securities	527.845
Quoted in Stock Exchange	520.133
Not Quoted in Stock Exchange	7.712
Share Certificates	4.719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange ^(*)	4.719
Provision for Impairment (-)	8.391
Total	524.173

^(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.719.

4. Financial assets measured at amortized cost:

a) Explanations on comparative net values of information regarding the repurchase and sale transactions and blocked/blocked receivables:

As of 31 December 2018, the Group has no financial assets at fair value through profit or loss subject to repo transactions or given as collateral/blocked (31 December 2017: None).

b) Information on government debt securities measured at amortized cost:

As of 31 December 2018, the Group has no government debt securities measured at amortized cost.

b.1) Information on government debt securities held to maturity:

As of 31 December 2017, the Group has no government debt securities held to maturity.

c) Information on financial assets measured at amortized cost:

As of 31 December 2018, the Group has no financial assets measured at amortized cost.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

c.1) Information on financial assets held to maturity:

As of 31 December 2017, the Group has no financial assets held to maturity.

5. Information on derivative financial assets

a) Information on derivative assets at fair value through profit or loss:

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	13	43
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	13	43

b) Positive differences related to the derivative financial assets held-for-trading:

	Prior Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	33	4
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	33	4

6. Expected Loss Provisions:

As of 31 December 2018, the amount of expected loss provisions (Stage 1) for financial assets shown in the balance sheet is TL 1.175.

7. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1.973.285	-	759.146	-
<i>Corporate Shareholders</i>	1.973.285	-	759.146	-
<i>Real Person Shareholders</i>	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2.513	-	1.112	-
Total ^(*)	1.975.798	-	760.258	-

^(*) Includes rediscount amounts.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

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

	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
Cash Loans			Loans with revised contract terms	Refinancing
Loans				
Export Loans	919.989	19.615	-	-
Import Loans	132.346	5.140	-	-
Commercial Loans	10.227.864	686.133	158.827	-
Consumer Loans	1.600.211	5.808	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	2.000.462	-	-	-
Other	-	-	-	-
Other Receivables	535.613	33.084	-	-
Profit Share Income Accruals	511.624	70.419	3.234	-
Total	15.928.109	820.199	162.061	-

As of 31 December 2018, there are no loans and other receivables with revised contract terms (31 December 2017: None).

	Standard Loans	Loans Under close monitoring
General Provision		
12 Month Expected Credit Losses	32.984	-
Significant Increase in Credit Risk	-	51.637

	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
No. of extensions		
1 or 2 Times Extended	-	162.061
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	162.061

	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
Extension Periods		
0 - 6 Months	-	68.208
6 Months - 12 Months	-	27.240
1 - 2 Years	-	38.018
2 - 5 Years	-	28.595
5 Years and Over	-	-
Total	-	162.061

Notes to the Consolidated Financial Statements As of 31 December 2018

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

c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables Under Close Monitoring ⁽¹⁾	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and Receivables not subject to restructuring	Restructured Loans and receivables
Short term loans	7.727.182	-	234.398	32.461
Medium and Long-term loans	7.689.303	-	767.670	129.600

⁽¹⁾ TL 585.277 accrual and rediscount amounts are not included related to loans in the table.

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables Under Close Monitoring ⁽¹⁾	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and other receivables	Loans and other receivables with revised contract terms
Short term loans and other receivables	4.515.890	-	11.877	-
Loans	4.515.890	-	11.877	-
Other Receivables	-	-	-	-
Medium and Long-term loans and other receivables	6.439.420	-	25.972	-
Loans	6.439.420	-	25.972	-
Other receivables	-	-	-	-

⁽¹⁾ TL 364.832 accrual and rediscount amounts are not included related to loans in the table.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.966	1.598.554	1.603.520
Real Estate Loans	1.203	1.453.270	1.454.473
Vehicle Loans	1.665	86.199	87.864
Consumer Loans	2.098	59.085	61.183
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	230	2.269	2.499
Housing Loans	-	-	-
Vehicle Loans	-	102	102
Consumer Loans	230	2.167	2.397
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	5.196	1.600.823	1.606.019

(*) Dividend rediscount amounting to TL 8.546 not included in the table.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	2.911	1.358.103	1.361.014
Real Estate Loans	1.016	1.242.469	1.243.485
Vehicle Loans	1.433	56.849	58.282
Consumer Loans	462	58.785	59.247
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	42	1.070	1.112
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1.051	1.093
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	2.953	1.359.173	1.362.126

(*) Dividend rediscount amounting to TL 5.347 not included in the table.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

e) Information on installment commercial loans and corporate credit cards:

Current Period	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	63.605	185.523	249.128
Business Loans	16.487	25.816	42.303
Vehicle Loans	47.118	159.707	206.825
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	46.410	46.410
Business Loans	-	-	-
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	407	19.046	19.453
With Installment	-	-	-
Without Installment	407	19.046	19.453
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	64.012	250.979	314.991

Notes to the Consolidated Financial Statements As of 31 December 2018

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

e) Information on installment commercial loans and corporate credit cards:

Prior Period	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	29.835	175.252	205.087
With Installment	-	23.544	23.544
Without Installment	29.835	151.708	181.543
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans-Indexed to FC	7.847	43.694	51.541
With Installment	-	-	-
Without Installment	7.847	43.694	51.541
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	37.682	218.946	256.628

f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	279.744	758.279
Private	16.138.809	10.234.880
Profit Share Income Accruals and Rediscount	585.277	364.832
Total	17.003.830	11.357.991

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	16.388.393	10.917.553
Foreign Loans	30.160	75.606
Profit Share Income Accruals of Loans	585.277	364.832
Total	17.003.830	11.357.991

Notes to the Consolidated Financial Statements As of 31 December 2018

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

h) Loans Granted to Subsidiaries and Participations:

As of 31 December 2018, the bank has no loans granted to subsidiaries and participations (31 December 2017: None).

i) Credit-Impaired Losses (Stage 3/Specific Provision):

	Current Period
Loans and receivables with limited collectability	70.765
Loans and receivables with doubtful collectability	18.390
Uncollectible loans and receivables	34.623
Total	123.778

Specific provision provided for loans:

	Prior Period
Loans and receivables with limited collectability	1.449
Loans and receivables with doubtful collectability	2.866
Uncollectible loans and receivables	13.773
Total	18.088

j) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	10.684	10.397	1.550	1.508
1-5 year	551.183	471.225	290.718	248.978
More than 5 years	282.163	222.212	187.183	122.458
Total	844.030	703.834	479.451	372.944

k) Information on non-performing receivables (net):

k.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2018 the Parent Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

k.2) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	7.584	9.562	17.695
Additions in the current period (+)	215.020	3.315	6.301
Transfers from other categories of non-performing loans (+)	-	47.290	23.872
Transfers to other categories of non-performing loans (-)	47.290	23.872	-
Collections in the current period (-)	14.423	894	4.000
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	160.891	35.401	43.868
Special Provision	70.765	18.390	34.623
Net balance at the balance sheet	90.126	17.011	9.245

k.3) Information on foreign currency non-performing loans:

As of 31 December 2018, the Parent Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2017: None).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

l) Gross and net amounts of non-performing receivables according to user groups:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	90.126	17.011	9.245
Loans to Real Persons and Legal Entities (Gross)	160.891	35.401	43.868
Specific Provisions (-)	70.765	18.390	34.623
Loans to Real Persons and Legal Entities (Net)	90.126	17.011	9.245
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	6.135	6.696	3.922
Loans to Real Persons and Legal Entities (Gross)	7.584	9.146	17.695
Specific Provisions (-)	1.449	2.450	13.773
Loans to Real Persons and Legal Entities (Net)	6.135	6.696	3.922
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	416	-
Specific Provisions (-)	-	416	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Period End Balance			
Profit Share Accrual and Valuation Differences Provision	1.667	1.989	3.215
Provision Amount (-)	749	1.001	2.483

m) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

n) Explanations on write-off policy:

The Parent Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

8. Information on assets related to trading investments and discontinued operations:

As of 31 December 2018, the amount of assets due to trading is TL 4.259 (31 December 2017: TL 3.561).

	Current Period	Prior Period
Beginning Balance (Net)	3.561	-
Changes During the Period (Net)	698	3.561
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	4.259	3.561

As of 31 December 2018, the Parent Bank has no discontinued operations (31 December 2017: None).

9. Equity Investments

a) Information about investments in associates (Net):

As of 31 December 2018, the Parent Bank has no investments in associates (31 December 2017: None).

b) Information on subsidiaries (Net):

b.1) Information on unconsolidated subsidiaries:

As of 31 December 2018, the Parent Bank has no unconsolidated associates (31 December 2017: None).

b.2) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 ^(*)	1.275.973	67	-	140.417	-	14	2	-	-
2 ^(*)	100.611	41	-	356	-	4	(13)	-	-

^(*) Audited financial statements used.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

	Current Period	Prior Period
Balance at the beginning of the year	100	50
Movements during the year	-	50
Included in the scope of consolidation	-	50
Purchases	-	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

⁽¹⁾ Paid capital increases during the period are shown under “Purchases”.

9. Equity Investments

b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.4) Subsidiaries that are quoted on the stock exchange:

As of 31 December 2018, the Parent Bank has no subsidiaries are quoted on the stock exchange (31 December 2017: None).

c) Information on entities under common control (joint ventures):

As of 31 December 2018, there are no entities under common control of the Parent Bank (31 December 2017: None).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

10. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	25.251	47.138	72.389
Accumulated Depreciation (-)	-	-	-	9.264	15.890	25.154
Net Book Value	-	-	-	15.987	31.248	47.235
Current Period End:	-	-	-	-	-	-
Net Book Value at the Beginning of the Period	-	-	-	15.987	31.248	47.235
Change During the Period (Net)	-	-	-	2.396	2.485	4.881
Cost	-	-	-	7.778	12.428	20.206
Amortization (Net) (-)	-	-	-	5.382	9.943	15.325
Provision for Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	33.029	59.566	92.595
Accumulated Depreciation at Period End (-)	-	-	-	14.646	25.833	40.479
Closing Net Book Value	-	-	-	18.383	33.733	

- 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.

11. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	93.038	12.642	80.396	69.787	6.507	63.280
Total	93.038	12.642	80.396	69.787	6.507	

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- c) Book value of intangible assets with restrictions on use or pledged: None.
- d) Amount of commitments given for acquisition of intangible asset: None.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

- e) Intangible assets based on revalued asset type: None.
 f) Total amount of research and development expenses recorded in the period, if any: None.
 g) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated:
 Not applied to the financial statements with consolidation.
 h) Information on goodwill: None.

12. Information on the investment properties:

As of 31 December 2018, the Parent Bank has no investment properties (31 December 2017: None).

13. Information on the current period assets related to tax:

As of 31 December 2018, the Bank has no assets related to tax (31 December 2017: None).

14. Information on deferred tax asset:

The Bank's deferred tax asset is calculated as TL 52.497 (31 December 2017: TL 16.094) however it's reflected on the financial statements as TL 49.870 (31 December 2017: TL 14.093) by offsetting with deferred tax liability.

	Current Period	Prior Period
Deferred tax asset	52.497	16.094
Deferred tax liability	2.627	2.001
Net deferred tax asset	49.870	14.093
Net deferred tax income/loss	626	5.835

	Current Period	Prior Period
Severance pay	3.850	466
Short-term employee rights	2.839	138
Revaluation of financial assets	8.395	296
Other	34.786	13.193
Net deferred tax asset	49.870	14.093

	Current Period	Prior Period
As of January 1	14.093	4.876
Deferred tax Income/(Loss) (Net)	22.034	5.835
Deferred Tax Accounted for Under Equity	6.270	3.382
IFRS 9 Transition Effect	7.473	-
Deferred tax asset	49.870	14.093

15. Information on other assets:

As of 31 December 2018, other assets of the Parent Bank do not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on funds collected:

a.1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	210.639	-	-	-	-	-	-	-	210.639
II. Real persons profit sharing accounts TL	-	526.001	2.948.826	43.992	-	42.916	193.315	-	3.755.050
III. Other current accounts-TL	516.931	-	-	-	-	-	-	-	516.931
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.653	-	-	-	-	-	-	-	418.653
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.298	-	-	-	-	-	40.298
V. Real persons current accounts-FC	347.441	-	-	-	-	-	-	-	347.441
VI. Real persons profit sharing accounts-FC	-	331.243	2.000.912	54.701	-	50.881	355.122	-	2.792.859
VII. Other current accounts-FC	1.183.202	-	-	-	-	-	-	-	1.183.202
Commercial residents in Turkey	1.168.785	-	-	-	-	-	-	-	1.168.785
Commercial residents in Abroad	8.509	-	-	-	-	-	-	-	8.509
Banks and participation banks	5.908	-	-	-	-	-	-	-	5.908
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	5.908	-	-	-	-	-	-	-	5.908
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	110.668	1.701.594	91.086	-	174.589	110.506	-	2.188.443
Public sector	-	674	12.007	-	-	-	-	-	12.681
Commercial sector	-	109.994	1.524.756	91.044	-	174.589	110.506	-	2.010.889
Other institutions	-	-	164.789	42	-	-	-	-	164.831
Commercial and other institutions	-	-	42	-	-	-	-	-	42
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	123.111	-	257.538	4.514	-	2.333	3.108	-	390.604
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+....+IX+X+XI)	2.381.324	1.099.423	9.649.160	764.013	-	476.608	780.455	-	15.150.983

Notes to the Consolidated Financial Statements As of 31 December 2018

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

a.1) Information on maturity structure of funds collected:

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	169.913	-	-	-	-	-	-	-	169.913
II. Real persons profit sharing accounts TL	-	339.006	2.206.716	26.540	-	29.403	67.732	-	2.669.397
III. Other current accounts-TL	431.162	-	-	-	-	-	-	-	431.162
Public sector	99.145	-	-	-	-	-	-	-	99.145
Commercial sector	317.559	-	-	-	-	-	-	-	317.559
Other institutions	14.432	-	-	-	-	-	-	-	14.432
Commercial and other institutions	23	-	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	288.729	2.247.646	321.549	-	156.951	60.491	-	3.075.366
Public sector	-	166.212	581.393	196.370	-	25.827	-	-	969.802
Commercial sector	-	117.818	1.472.701	118.790	-	13.825	10.444	-	1.733.578
Other institutions	-	4.699	188.545	6.389	-	117.299	50.047	-	366.979
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5.007	-	-	-	-	-	5.007
V. Real persons current accounts-FC	162.883	-	-	-	-	-	-	-	162.883
VI. Real persons profit sharing accounts-FC	-	150.266	1.350.227	36.220	-	41.553	61.061	-	1.639.327
VII. Other current accounts-FC	824.647	-	-	-	-	-	-	-	824.647
Commercial residents in Turkey	816.850	-	-	-	-	-	-	-	816.850
Commercial residents in Abroad	7.462	-	-	-	-	-	-	-	7.462
Banks and participation banks	335	-	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	37.478	848.801	18.769	-	-	-	-	905.048
Public sector	-	1.948	15.379	-	-	-	-	-	17.327
Commercial sector	-	35.503	580.639	18.744	-	-	-	-	634.886
Other institutions	-	27	244.731	25	-	-	-	-	244.783
Commercial and other institutions	-	-	8.052	-	-	-	-	-	8.052
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	62.451	-	77.863	2.277	-	1.310	2.842	-	146.743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	1.651.056	815.479	6.731.253	405.355	-	229.217	192.126	-	10.024.486

Notes to the Consolidated Financial Statements As of 31 December 2018

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

a.2) Exceeding Amounts of Insurance Limit:

i. Information’s on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	2.956.961	2.166.684	4.505.214	2.609.688
TL accounts	2.123.545	1.651.791	1.842.492	1.187.518
FC accounts	833.416	514.893	2.662.722	1.422.170
Foreign branches’ deposits under foreign authorities’ insurance	-	-	-	-
Off-shore banking regions’ under foreign authorities’ insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:

Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign branches’ profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	520	431
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	410.436	-
From Domestic Banks and Institutions	16.648	1.594.136	8.938	523.098
From Foreign Banks, Institutions and Funds	-	375.993	-	1.106.838
Total	16.648	1.970.129	419.374	1.629.936

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	16.648	1.368.797	419.374	291.782
Medium and Long-term	-	601.332	-	1.338.154
Total	16.648	1.970.129	419.374	1.629.936

c) Explanations Related to the Concentrations of the Bank’s Major Liabilities: Concentrations of the Bank’s major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

68% of Goup’s liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	864.414	-	32.462	-
Financial Institutions	864.414	-	32.462	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	864.414	-	32.462	-

4. Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset Based Securities	1.375.097	-	557.804	-
Government Bonds	-	-	-	-
Total	1.375.097	-	557.804	-

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

None.

6. Information on derivative financial liabilities:

	Current Period	
	TL	FC
Forward transactions	-	6.145
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	6.145

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Negative differences table regarding to derivative financial liabilities held for trading:

	Prior Period	
	TL	FC
Derivative financial assets held for trading		
Forward transactions	-	6.280
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	6.280

7. Information on Financial Lease Obligations:

	Current Period	
	Gross	Net
Less than 1 year	422	415
Between 1-5 years	-	-
More than 5 years	-	-
Total	422	415

8. Information on provisions:

a) Information on general provisions:

	Prior Period
General Provisions	99.082
I.For Loans and Receivables in Group I (Total)	89.433
Profit Sharing Accounts' Share	62.132
The Bank's Share	27.301
Other	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
II.Loans and Receivables in Group II (Total)	714
Profit Sharing Accounts' Share	603
The Bank's Share	111
Other	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
Provisions for Non Cash Loans	8.111
Other	824

Notes to the Consolidated Financial Statements As of 31 December 2018

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b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 202 (31 December 2017: TL 6.045).

c) Information on special provisions related with uncompensated and non- liquidated non-cash loans:

Specific provisions for indemnified non-cash loans amount to TL 5.888 (31 December 2017: TL 177).

d) Information on other provisions:

d.1) Information on free provisions for possible risks:

Considering the circumstances that may arise from any changes in the economy or market conditions, the Bank management decided to make provision amounting to TL 30.000 in line with the conservatism principle. (31 December 2017: None)

d.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other provisions amounting to TL 48.204 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2017: TL 36.398).

The Bank has provided specific provisions amounting to TL 5.888 for non-cash loans that are not indemnified, amounting TL 20.110 for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 6.121 for other provisions.

In accordance with the Bank’s management decision, taking into account the possible developments in the economy and markets, and the prudence principle, a free provision has been provided in addition to the Reporting Standards requirements amounting to TL 1.475.000.

8. Information on provisions:

e) Information on provisions for employee benefits:

e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2018, the amount payable consists of one month’s salary limited to a maximum of TL 6.018 (full TL) (31 December 2017: TL 4.732 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 - “Turkish Accounting Standard on Employee Benefits”.

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period	Prior Period
Discount Rate (%)	3,84	4,77

Notes to the Consolidated Financial Statements As of 31 December 2018

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

e.2) Severance Pay and Unused Permission Rights

	Current Period	Prior Period
Balance as of 1 January	2.330	780
Current Service Cost	1.285	1.014
profit share cost	276	85
Paid compensations	(112)	(41)
Loss/(Earnings) resulting from Reduction/Dismissal of Payments/Benefits	24	21
Actuarial loss/(gain)	1.253	471
Balance at the end of the period	5.056	2.330

As of 31 December 2018, the Bank has a TL 3.584 short-run employees’ rights provision (31 December 2017: TL 2.389).

e.3) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2017, no technical deficit has been reported.

As of the balance sheet date, the Bank’s liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

The basic actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rates		
- Pension benefits will be transferred to SGK	9,80%	9,80%
- Health benefits will be transferred to SGK	9,80%	9,80%

e.4) Additional Bonus Provision to be paid to Personnel

The Bank has allocated a provision amounting to TL 13.000 based on the bonus to be paid by the resolution of the General Assembly.

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 December 2018, the Group’s corporate income tax liability is TL 25.602 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.996).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	25.602	12.996
Taxation on Income From Securities	10.438	7.251
Property Tax	177	132
Banking Insurance Transactions Tax (BITT)	10.467	5.074
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	5.521	571
Other	1.593	1.140
Total	53.798	27.164

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	1	-
Social Security Premiums - Employer	1	2
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	62	92
Unemployment Insurance - Employer	125	183
Other	-	-
Total	189	277

10) Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 2.627 (31 December 2017: TL 2.001) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 49.870 (31 December 2017: TL 14.093) is presented in the financial statements.

11. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations (31 December 2017: None).

12. Explanations on subordinated debts:

The Group does not have any subordinated debts (31 December 2017: None).

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them:

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

14. Information on shareholders’ equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	1.750.000	1.250.000
Preferred stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

According to decision taken at the 2017 Ordinary General Assembly held on 17 April 2018, it has been decided to allocate financial obligations amounting to TL 46.907 from the TL 199.974 accounting profit and allocate TL 7.653 general legal reserves which is 5% of TL 153.067 net profit for the period, and it has been decided to allocate TL 10,000 of the rest of the amount to personnel as additional bonus and TL 1.000 (10% of this amount) to provision and remaining TL 134.414 to the Parent Bank. The Bank’s paid-in capital was increased to TL 1,750,000 in 2017 Extraordinary General Assembly Meeting held on September 20, 2018 by increasing the paid-in capital of TL 500,000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

At the 2017 Extraordinary General Assembly meeting held on 20 September 2018, the Bank decided to increase the share capital by TL 500,000 in cash. (31 December 2017: None)

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2017: None).

e) Indicators of the Group’s income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank’s equity:

The Parent Bank has no any uncertainty related to profitability and liquidity according to the prior period’s indicators. (31 December 2017: None).

f) Information on preferred shares:

As of 31 December 2018, the Bank has no preferred shares (31 December 2017: None).

Notes to the Consolidated Financial Statements As of 31 December 2018

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

g) Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(38.639)	305
Revaluation Difference	(48.964)	305
Deferred Tax Effect	10.325	-
Foreign Exchange Difference	-	-
Total	(38.639)	305

Information on marketable securities value increase fund:

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(14.901)	(11)
Revaluation Difference	(18.955)	(11)
Deferred Tax Effect	4.054	-
Foreign Exchange Difference	-	-
Total	(14.901)	(11)

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	88.064	61.911
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	102.994	64.845
Loan Granting Commitments	6.925	1.966
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	160.832	4.034
Total	358.815	132.756

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

The amount of provision for possible losses arising from the off-balance sheet items is TL 5.888 (31 December 2017: None).

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits:

	Current Period	Prior Period
Guarantee Letters	8.640.366	5.322.130
Letter of Credits	3.591	4.784
Bank Acceptances	616.808	447.193
Other Contingencies	1.022.677	337.431
Total	10.283.442	6.111.538

b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Temporary Guarantees	411.354	603.757
Letters of Certain Guarantees	3.893.325	2.715.331
Letters of Advance Guarantees	1.018.357	399.756
Letters of Guarantees given to Customs Offices	73.926	45.753
Other Letters of Guarantees	3.243.404	1.557.533
Total	8.640.366	5.322.130

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.243.412	1.557.532
With Original Maturity of One Year or Less	1.727.495	775.726
With Original Maturity of More than One Year	1.515.917	781.806
Other Non-Cash Loans	7.040.030	4.554.006
Total	10.283.442	6.111.538

Notes to the Consolidated Financial Statements As of 31 December 2018

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

c) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	181.687	4	28.512	-	8.342	-	22.951	1
Farming and Raising Livestock	178.724	4	28.512	-	5.256	-	22.951	1
Forestry	2.704	-	-	-	3.021	-	-	-
Fishing	259	-	-	-	65	-	-	-
Manufacturing	651.919	16	4.052.882	66	488.281	15	2.031.214	69
Mining and Quarrying	15.827	-	165.716	3	13.043	-	12.224	-
Production	587.506	15	3.885.497	63	398.007	13	2.006.707	68
Electric, Gas and Water	48.586	1	1.669	-	77.231	2	12.283	1
Construction	2.052.481	49	638.842	10	1.574.071	50	407.646	14
Services	1.283.715	31	1.422.151	23	1.040.680	33	446.492	15
Wholesale and Retail Trade	647.427	15	1.031.680	17	537.314	17	349.915	12
Hotel, Food and Beverage Services	26.535	1	77.873	1	14.605	1	18.603	1
Transportation and Telecommunication	50.412	1	106.827	2	38.920	1	1.164	-
Financial Institutions	21.804	1	15.668	-	5.846	-	317	-
Real Estate and Leasing Services	483.921	12	172.876	3	441.401	14	69.025	2
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	1.397	-	14.824	-	89	-	7.468	-
Health and Social Services	52.219	1	2.403	-	2.505	-	-	-
Other	10.359	-	70.812	1	62.002	2	29.859	1
Total	4.180.161	100	6.213.199	100	3.173.376	100	2.938.162	100

d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	3.960.993	6.141.519	109.248	71.682
Letters of Guarantee	3.949.647	4.512.996	109.248	68.475
Bank Acceptances	-	3.591	-	-
Letters of Credit	5.584	611.224	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	5.762	1.013.708	-	3.207

Notes to the Consolidated Financial Statements As of 31 December 2018

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2. Explanations on derivative transactions:

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	2.410.970	1.264.078
Forward Transactions	2.410.970	1.264.078
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
A. Total Trading Derivative Transactions (I+II)	2.410.970	1.264.078
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	2.410.970	1.264.078

The Parent Bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	-	(1.830)	-	-	-	(1.830)
- Addition	-	1.204.570	-	-	-	1.204.570
- Disposal	-	(1.206.400)	-	-	-	(1.206.400)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	-	1.204.570	-	-	-	1.204.570
Total cash disposal	-	(1.206.400)	-	-	-	(1.206.400)

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	(3.672)	(1.518)	-	-	-	(5.190)
- Addition	313.645	315.799	-	-	-	629.444
- Disposal	(317.317)	(317.317)	-	-	-	(634.634)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	313.645	315.799	-	-	-	629.444
Total cash disposal	(317.317)	(317.317)	-	-	-	(634.634)

Notes to the Consolidated Financial Statements As of 31 December 2018

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3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Parent Bank’s liability resulting from the cheques given to its customers amounts to TL 102.994 (31 December 2017: 64.845 TL).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

4. Explanations on services in the name of others:

The Parent Bank provides custody services for purchases and sales of government bonds on behalf of real and legal persons, intermediates in repurchase and sale transactions, and provides safe deposit box services. The Bank does not provide consultancy and management services.

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS

1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans ^(*)	1.675.313	177.215	835.038	50.714
Short term loans	623.639	51.587	257.556	8.131
Medium and long term loans	1.046.597	125.628	577.142	42.583
Profit share on non-performing loans	5.077	-	340	-
Premiums received from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions income on cash loans

b) Information on profit share received from banks:

None (31 December 2017: None).

c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	136.686	256
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-
Total	136.686	256

Information on profit share income from securities portfolio:

	Prior Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets Available-for-Sale	48.298	336
Investments Held-to-Maturity	-	-
Total	48.298	336

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

d) Information on profit share income received from associates and subsidiaries:

None (31 December 2017: None).

2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.496	27.931	2.855	15.750
Central Bank of the Republic of Turkey	6.488	-	510	-
Domestic Banks	1.008	21.331	2.345	12.706
Foreign Banks	-	6.600	-	3.044
Head Office and Branches	-	-	-	-
Other Institutions	-	19.549	-	20.100
Total	7.496	47.480	2.855	35.850

b) Information on profit share expense given to associates and subsidiaries:

None (31 December 2017: None).

c) Information on profit share expense paid to securities issued:

The amount of profit share paid to issued securities TL 140.695 (31 December 2017: 25.409).

d) Distribution of profit share on funds based on maturity of funds:

Current Period	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	6.838	-	-	-	6.838
Real Person's Non Commercial Participation Accounts	45.160	340.583	4.692	3.984	19.211	413.630
Public Sector Participation Accounts	7.102	68.859	33.883	9.568	7.978	127.390
Commercial Sector Participation Accounts	23.149	266.330	14.446	7.858	1.735	313.518
Other Institutions Participation Accounts	1.606	66.650	6.409	15.364	890	90.919
Total	77.017	749.260	59.430	36.774	29.814	952.295
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	84	-	-	-	84
Real Person's Non Commercial Participation Accounts	5.139	51.055	1.403	1.290	7.518	66.405
Public Sector Participation Accounts	20	1.047	-	-	-	1.067
Commercial Sector Participation Accounts	2.469	60.992	1.697	4.730	2.322	72.210
Other Institutions Participation Accounts	-	3.187	-	-	-	3.187
Public Sector Participation Accounts	3.995	-	-	-	-	3.995
Total	11.623	116.365	3.100	6.020	9.840	146.948
Grand Total	88.640	865.625	62.530	42.794	39.654	1.099.243

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Prior Period	Participation Accounts					
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	382	-	-	-	382
Real Person's Non Commercial Participation Accounts	22.143	154.037	2.551	2.151	5.314	186.196
Public Sector Participation Accounts	12.124	41.864	7.226	628	3.738	65.580
Commercial Sector Participation Accounts	12.841	106.338	10.505	1.412	1.180	132.276
Other Institutions Participation Accounts	364	26.903	800	4.401	188	32.656
Total	47.472	329.524	21.082	8.592	10.420	417.090
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	1.007	-	-	-	1.007
Real Person's Non Commercial Participation Accounts	2.083	23.498	905	687	1.120	28.293
Public Sector Participation Accounts	15	309	-	-	-	324
Commercial Sector Participation Accounts	1.166	16.985	2.149	-	-	20.300
Other Institutions Participation Accounts	55	3.482	-	-	-	3.537
Public Sector Participation Accounts	583	-	-	-	-	583
Total	3.902	45.281	3.054	687	1.120	54.044
Grand Total	51.374	374.805	24.136	9.279	11.540	471.134

3. Information on dividend income:

As of 31 December 2018, the Parent Bank's divided income is TL 177 (31 December 2017: None).

4. a. Information on trading income/loss (Net)

	Current Period	Prior Period
Income	10.743.441	2.847.899
Foreign exchange gains	10.638.239	2.832.166
Gain on derivative financial instruments	104.993	15.707
Gain on capital market transactions	209	26
Losses (-)	10.685.660	2.836.343
Foreign exchange losses	10.639.430	2.793.077
Losses on derivative financial instruments	43.625	42.389
Losses on capital market transactions	2.605	877
Net	57.781	11.556

b. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(61.368)	(26.682)
Total	(61.368)	(26.682)

Notes to the Consolidated Financial Statements As of 31 December 2018

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

5. Information on other operating income:

Information on factors covering the recent developments which has significant effect on the Bank’s income and the extent of effect on income:

There are no significant matters covering the recent developments which have significant effect on the Bank’s income.

6. Provision expenses for impairment on loans and other receivables:

	Current Period
Expected Credit Loss	203.793
12 month expected credit loss (stage 1)	36.406
Significant increase in credit risk (stage 2)	56.148
Non-performing loans (stage 3)	111.239
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other ^(*)	52.228
Total	256.021

^(*) According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 18.014 is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

	Prior Period
Specific Provisions for Loans and Other Receivables	14.721
III. group loans and receivables	1.449
IV. group loans and receivables	2.841
V. group loans and receivables	10.431
General provision expenses	46.896
Provision expenses for possible losses	-
Impairment provision of marketable securities	165
Financial Assets at fair value through profit and loss	-
Investment securities available for sale	165
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other ^(*)	28.361
Total	90.143

^(*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 26.313 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

7. Information on other operating expenses:

	Current Period
Personnel expenses ^(*)	123.973
Reserve for Employee Termination Benefits	1.473
Bank Social Aid Provision Fund Deficit Provision	
Tangible Fixed Assets Impairment Expense	
Depreciation Expenses of Tangible Fixed Assets	15.325
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	6.135
Impairment Expense for Equity Shares subject to the Equity Method	
Impairment Expense for Investment Securities that will be Disposed	
Amortization Expenses of Investment Securities that will be Disposed	
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	
Other Operating Expenses	86.973
Operational Leasing Expenses	26.900
Maintenance Expenses	6.197
Advertisement Expenses	16.362
Other Expenses	37.514
Loss on Sales of Assets	-
Other ^(*)	65.282
Total	299.161

^(*) The balance which forms the other item part, TL 20.412 represents Saving Deposit Insurance Fund (“SDIF”) Premium amount and audit and consultancy fees and TL 17.883 represents taxes, fees and funds and other services expenses.

^(*) “Personnel Expenses”, which is not included in “Other Operating Expenses” in the income statement, is included in this table.

	Prior Period
Personnel expenses	86.969
Reserve for Employee Termination Benefits	1.550
Bank Social Aid Provision Fund Deficit Provision	
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	12.456
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	3.055
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	60.668
Operational Leasing Expenses	18.882
Maintenance Expenses	4.521
Advertisement Expenses	14.949
Other Expenses	22.316
Loss on Sales of Assets	-
Other ^(*)	32.833
Total	197.531

^(*) The prior balance which forms the other item part, TL 20.805 represents SDIF Premium amount and audit and consultancy fees and TL 9.264 represents taxes, fees and funds and other services expenses.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 December 2018, The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	770.834
Net Fees and Commissions Income	60.727
Personnel Expenses	123.973
Dividend Income	177
Trading Income/Expense (Net)	57.781
Other Operating Income	80.212
Expected Loss Provision (-)	256.021
Other Operating Expenses (-)	175.188
Income/(Loss) from Continuing Operations	414.549
	Prior Period
Net Profit Share Income	443.086
Net Fees and Commissions Income	30.343
Dividend Income	-
Trading Income/Expense (Net)	11.556
Other Operating Income	2.663
Loan and other receivables impairment provision (-)	90.143
Other Operating Expenses (-)	197.531
Income/(Loss) from Continuing Operations	199.974

9. Information on tax provision for continued and discontinued operations:

As of 31 December 2018, the Group's total tax provision expense amounting to TL 91.884 (31 December 2017: TL 41.072) consists of TL 113.918 (31 December 2017: TL 46.907) of current tax expense and TL 22.034 (31 December 2017: TL 5.835) of deferred tax income.

10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Group's net operating income after tax amounts to TL 322.665 (31 December 2017: TL 158.902).

11. Information on net profit/loss:

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Parent Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

None (31 December 2017: None).

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 17 April 2018, from TL 199.974 net profit, TL 46.907 is transferred as fiscal charge. 5% of remaining TL 153.067, TL 7.653 is separated as legal reserve. TL 10.000 was decided to be paid to employees and 10% of this amount, TL 1.000 has been allocated as reserves. Remaining amount, TL 134.414, has been left in the Parent Bank. Paid-in capital is raised by TL 500.000 in cash from TL 1.250.000 to TL 1.750.000.

The Parent Bank is planning to distribute its profit for 2018 in line with the Articles of Incorporation in 2017. However, as of the date of preparation of the financial statements, no decision on profit distribution has been made.

b) Explanations on Financial Assets at Fair Value Through Other Comprehensive Income

Explanations on Financial Assets at Fair Value Through Other Comprehensive Income were presented under Section Five and 1.3-b footnote.

c) Profit reserves:

As of balance sheet date, profit reserves are TL 158.593, legal reserves are TL 9.961, extraordinary reserves are TL 138.256, and other profit reserves are TL 10.376.

d) Explanations on Previous Year's Profit/Loss:

None.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 121.921 is composed mainly from interest received from loans and securities amounting to TL 823.676 and interest paid to deposit and money market operations which is amounting to TL 491.718 Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 303.391 as of 31 December 2018 (31 December 2017: TL 51.176)

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

Period opening and end cash and cash equivalents balance:

Period opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	41.124	32.550
Central Bank of the Republic of Turkey and Other Banks	560.677	1.081.708
Money Market Operations	-	-
Total Cash and Cash Equivalents	601.801	1.114.258

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	53.161	41.124
Central Bank of the Republic of Turkey and Other Banks	1.092.371	560.677
Money Market Operations	-	-
Total Cash and Cash Equivalents	1.145.532	601.801

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

1) a) Information on the volume of transactions relating to the Parent Bank’s risk group, outstanding loans and funds collected and income and expenses for the period:

Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	758.988	-	-	-
Balance at end of period	-	-	2.180.316	-	-	-
Profit share and commission income	-	-	28.471	-	-	-

Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	558.924	-	-	-
Balance at end of period	-	-	758.988	-	-	-
Profit share and commission income	-	-	8.248	-	-	-

Notes to the Consolidated Financial Statements As of 31 December 2018

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

b) Current and profit sharing account held by the Parent Bank’s risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	8.159	1.796	-	-
Balance at the end of period	-	-	42.411	8.159	-	-
Profit share expense	-	-	2.563	2.314	-	-

c) Information on loans received from the Parent Bank’s risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Funds Borrowed						
Balance at the beginning of period	557.814	101.459	-	-	-	-
Balance at the end of period	1.375.097	557.814	-	-	-	-
Profit share paid expense	140.695	13.303	-	-	-	-

2) Information on forward transactions, option agreements and similar transactions between the Consolidated Bank’s risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	1.264.078	259.672	-	-
Closing Balance	-	-	2.401.773	1.264.078	-	-
Total Profit/Loss	-	-	6.145	6.280	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

Notes to the Consolidated Financial Statements As of 31 December 2018

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

3) Information on remunerations provided to top management:

The Group has paid TL 3.503 to top management (31 December 2017: TL 2.717).

VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

As of 1 January 2019, the Company’s short term borrowings are as follows:

Non-interest bearing note at 11 January 2019

Ziraat Katılım Varlık Kiralama A.Ş. has issued a lease certificate with the ISIN code TRDZKVK41915 amounting to TL 300,000,000 on 11 January 2019 with a simple annual rate of return of 22,25%, with a maturity of 98 days, dated 19 April 2019.

The details of the distribution of sukuk issuance for the year 11 January 2019 of TL 300.000.000 are as follows:

First Income Distribution Amount	19 April 2019	17.921.910
Lease Certificate Fee Amount	19 April 2019	300.000.000

Non-interest bearing note at 25 January 2019

Ziraat Katılım Varlık Kiralama A.Ş. has issued a lease certificate with the ISIN code TRDZKVK51914 amounting to TL 400,000,000 on 25 January 2019 with a simple annual rate of return of 21,00%, with a maturity of 98 days, dated 3 May 2019.

The details of the distribution of sukuk issuance for the year 11 January 2019 of TL 300.000.000 are as follows:

First Income Distribution Amount	3 May 2019	22.553.440
Lease Certificate Fee Amount	3 May 2019	400.000.000

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

1) Domestic and foreign branches and representative offices of the Parent Bank:

	Number	Number of Employees	Country	Total Assets	Legal Equity
Domestic branches ^(*)	80	1.042			
Foreign representative offices	-	-	-		
Foreign branches	-	-	-	-	-
Off shore banking branches	-	-	-	-	-

^(*) The number of head office staff has been included in the number of domestic branch employees.

2) Explanations on the opening and closing of branches or representative office of the Parent Bank in Turkey and abroad, and the significant change in its organization:

In 2018, 17 new branches (31 December 2017: 19 Branches) have been opened in Turkey.

Notes to the Consolidated Financial Statements As of 31 December 2018

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

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE GROUP’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 1 October 2018	Note	Explanation
Long Term Foreign Currency Credit Rating	B +	It is in a very speculative level under the investment class.
Short Term Foreign Currency Credit Rating	B	It is in a speculative level under the investment class.
Long Term Turkish Lira Credit Rating	BB+	It is in a speculative level under the investment class.
Short Term Turkish Lira Credit Rating	B	It is in a speculative level under the investment class.
National Long Term Credit Rating	AAA(tur)	Top level investment grade.
Support	3	The probability of external support is reasonable.

II. OTHER EXPLANATIONS ON GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

As of 31 December 2018, consolidated financial statements and explanatory notes of the Parent Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.(the Turkish member of KPMG International Cooperative, a Swiss Entity) and Audit Report dated 18 February 2019 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

HEAD OFFICE		
	Phone	Address
Headquarters	0212 404 10 00	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Caddesi, No: 12 Posta Kodu: 34112 Bahçekapı/Fatih-İstanbul
Supplementary Service Bulding	0216 559 20 58	Girne Mahallesi, Narlıdere Caddesi, No: 55 Maltepe, İstanbul
BRANCHES		
Branch Name	Phone	Address
Adana Branch	0322 359 63 04	Tepebağ Mahallesi, Abidinpaşa Caddesi No: 11 Seyhan, Adana
Adapazarı Branch	0264 281 57 16	Semerciler Mahallesi, Saraçlar Sokak No: 1 Adapazarı, Sakarya
Afyon Branch	0272 212 02 64	Burmali Mahallesi, Milli Egemenlik Caddesi No: 18/1 Afyonkarahisar
Aksaray Branch	0382 203 02 82	Hacı Hasanlı Mahallesi, Bankalar Caddesi No: 30 Aksaray
Altunizade Branch-İstanbul	0216 474 8472	Altunizade Mahallesi, Kısıklı Caddesi No: 37 Üsküdar, İstanbul
Ankara Kurumsal Branch	0312 433 48 22	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 67 Çankaya, Ankara
Antalya Branch	0242 345 75 10	Tahılpaşarı Mahallesi. Şarampol Cad. T.C. Ziraat Bankası Sit. No: 68 Muratpaşa / Antalya
Aydın Branch	0256 212 76 42	Hasanefendi Mahallesi, Gençlik Caddesi No: 6/1 Efeler, Aydın
Bağcılar Branch-İstanbul	0212 436 47 79	Çınar Mahallesi, Osman Gazi Caddesi No: 12B Bağcılar, İstanbul
Balgat Branch-Ankara	0312 473 16 25	Balgat Mahallesi, Ceyhun Atıf Kansu Caddesi Başkent Plaza, No: 106/57 Çankaya, Ankara
Balıkesir Branch	0 266 244 82 65	Altıeylül Mahallesi, 4. Anafartalar Caddesi No: 35B/B Altıeylül, Balıkesir
Başakşehir Branch- İstanbul	0212 485 72 11	İkitelli OSB Mahallesi, Tümsan 1. Kısım 3. Blok Apt. No: 9/A Başakşehir, İstanbul
Batman Branch	0488 213 34 31	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 132 B Merkez, Batman
Beyazıt Branch-İstanbul	0212 638 83 68	Mimar Hayrettin Mahallesi, Yeniçeriler Caddesi Sinekli Medrese Sokak No: 2 Fatih, İstanbul
Beylikdüzü Branch- İstanbul	0212 872 68 21	Barış Mahallesi, Belediye Caddesi Ginza Lavinya Apt. No: 30/83 Beylikdüzü, İstanbul
Bornova Branch-İzmir	0232 343 09 43	Kazım Dirik Mahallesi, 152. Sokak No: 9 Bornova, İzmir
Bursa Branch	0224 225 00 24	Setbaşı Kayahan Mahallesi, Atatürk Cad. No: 26/1 Osmangazi / Bursa
Büsan Branch-Konya	0362 622 0049	Fevzi Çakmak Mahallesi, Kosgeb Caddesi No: 3 Karatay, Konya
Çankaya İzmir Branch	0232 425 79 98	Yeniğün Mahallesi, Fevzipaşa Bulvarı No: 124 Konak, İzmir
Çorlu Branch- Tekirdağ	0282 673 35 89	Kazımiye Mahallesi, Salih Omurtak Caddesi A Blok Apt. No: 22 - 1/2 Çorlu, Tekirdağ
Çorum Branch	0364 224 89 64	Çepni Mahallesi, İnönü Caddesi No: 61 Merkez, Çorum
Denizli Branch	0258 265 68 56	Saraylar Mahallesi, Gazi Mustafa Kemal Blv. No: 74/1 Merkezefendi, Denizli
Dudullu Branch-İstanbul	0216 313 72 05	Yukarı Dudullu Mahallesi, Necip Fazıl Bulvarı, Keresteciler (KEYAP) Sitesi, B1 Blok Apt. No: 44/19 Ümraniye, İstanbul
Elazığ Branch	0424 237 13 68	Nailbey Mahallesi, Gazi Caddesi No: 9 Elazığ
Eminönü Branch- İstanbul	0212 522 59 82	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Cad. No: 12/1 Bahçekapı Fatih, İstanbul
Erzincan Branch	0446 502 03 67	Atatürk Mahallesi, Fevzipaşa Caddesi 357. Sokak No: 2 Merkez, Erzincan
Erzurum Branch	0 442 235 87 74	Lalapaşa Mahallesi, Orhan Şerifsoy Caddesi No: 9 Yakutiye, Erzurum
Eskişehir Branch	0 222 221 55 97	Arifiye Mahallesi, İki Eylül Caddesi No: 68/1 Odunpazarı, Eskişehir
Fatih Branch- İstanbul	0212 621 86 76	Alikuşçu Mahallesi, Fevzipaşa Caddesi No: 10 Fatih, İstanbul
Gatem Branch-Gaziantep	0342 238 43 17	Sanayi Mahallesi, 60401.Sok. No: 7 Şehitkamil, Gaziantep
Gaziantep Branch	0342 230 91 90	İncirli Pınar Mahallesi, Muammer Aksoy Cad. No: 20 Şehitkamil, Gaziantep
Gaziosmanpaşa Branch-İstanbul	0212 497 12 58	Merkez Mahallesi, Cumhuriyet Meydanı No: 26/A Gaziosmanpaşa, İstanbul
Gebze Branch-Kocaeli	0262 643 36 98	Hacı Halil Mahallesi, Körfez Caddesi No: 8/B Gebze, Kocaeli
Gıda Çarşısı Branch- İzmir	0232 459 52 31	Halkapınar Mahallesi, 1202/2 Sokak No: 31 F /F Konak, İzmir
Güneşli Branch-İstanbul	0212 550 76 54	Hürriyet Mahallesi, Atatürk Caddesi No: 13-15B Bağcılar, İstanbul
Hadımköy Branch- İstanbul	0212 809 31 05	Alkent 2000 Mahallesi, Hadımköy Yolu Caddesi C Blok Apt. No: 151/1/3 Büyükkemece, İstanbul
Isparta Branch	0246 202 26 42	Kütübey Mahallesi, 1001. Sokak No: 4, D: 9-10 Merkez, Isparta
İkitelli Branch- İstanbul	0212 549 60 53	Ziya Gökalp Mahallesi, Bedrettin Dalan Bulvarı A Blok No: 18 Başakşehir, İstanbul
İskenderun Branch-Hatay	0326 614 12 25	Savaş Mahallesi, Mareşal Çakmak Caddesi 41. Sokak, Sümerhan İşhanı, No: 9/3 (Zemin Kat BB: 1) İskenderun, Hatay

BRANCHES		
Branch Name	Phone	Address
İstanbul Anadolu Kurumsal Branch- İstanbul	0216 356 18 63	Sahrayıcedit Mahallesi, Atatürk Caddesi No: 48/1 Kadıköy, İstanbul
İstanbul Avrupa Kurumsal Branch-İstanbul	0212 275 39 08	Fulya Mahallesi, Büyükdere Caddesi İmar İş Hanı Apt. No: 48/2 Şişli, İstanbul
İzmit Branch	0262 322 93 52	Kemalpaşa Mahallesi, İstiklal Caddesi No: 20 İç Kapı No: 30 İzmit, Kocaeli
Kadıköy Branch- İstanbul	0216 474 8472	Osmanağa Mahallesi, Rihtım Cad. No: 4 Kat: 2 Kadıköy, İstanbul
Kahramanmaraş Branch	0344 223 97 01	Yenişehir Mahallesi, Trabzon Bulvarı Durak Apt. No: 70, Dulkadiroğlu, Kahramanmaraş
Karaman Branch	0342 238 43 17	Tahsin Ünal Mahallesi, Atatürk Bulvarı No: 43A Merkez, Karaman
Kastamonu Branch	0366 214 70 85	Topçuoğlu Mahallesi, Cumhuriyet Cad. No: 30 B 37100 Merkez, Kastamonu
Kayapınar Branch-Diyarbakır	0412 502 26 38	Peyas Mahallesi, Şanlıurfa Bulvarı Ekinciler Sitesi No: 80/A Kayapınar, Diyarbakır
Kayseri OSB Branch	0352 503 50 17	Kayseri OSB Mahallesi, 11. Caddesi No: 9/K Melikgazi, Kayseri
Kayseri Branch	0352 221 32 43	İslimpaşa (Cumhuriyet) Mahallesi, Vatan Cad. No: 19 Melikgazi, Kayseri
Keçiören Branch- Ankara	0312 381 52 86	Pınarbaşı Mahallesi, Kızlar Pınarı Caddesi No: 177A Keçiören, Ankara
Kestel Branch-Bursa	0224 372 83 33	Ahmet Vefik Paşa Mahallesi, Organize Sanayi Bölgesi Bursa Cad. No: 75 B Blok Kestel, Bursa
Kızılay Branch- Ankara	0312 435 1350	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 67/C Kızılay, Ankara
Kızıtaşı Branch- İstanbul	0212 635 29 98	Zeyrek Mahallesi, Macar Kardeşler Caddesi No: 18 A Fatih, İstanbul
Konyaaltı Antalya Branch	0242 502 45 88	Arapşuyu Mahallesi, Atatürk Bulvarı No: 25A Konyaaltı, Antalya
Kütahya Branch	0274 333 02 95	Gazi Kemal Mahallesi, Cumhuriyet Caddesi No: 79/A Merkez, Kütahya
Malatya Branch	0422 325 60 05	Saray Mahallesi, Atatürk Caddesi No: 2 Battalgazi, Malatya
Manisa Branch	0236 231 03 68	1. Anafartalar Mahallesi, 1603. Sokak No: 11/A Şehzadeler, Manisa
Mecidiyeköy Branch-İstanbul	0212 267 2666	Gülbahar Mahallesi, Büyükdere Cad. No: 99/A Şişli, İstanbul
Merkezi Bankacılık Branch- İstanbul	0216 559 21 03	Mimar Sinan Mahallesi, Hâkimiyeti Milliye Cad. No: 49 Üsküdar, İstanbul
Merter Branch- İstanbul	0212 504 95 61	Mehmet Nesih Özmen Mahallesi Fatih Caddesi Yalçın İş Merkezi No: 13 Güngören, İstanbul
Mersin Branch	0324 237 54 70	Çankaya Mahallesi, Atatürk Caddesi Mersin Çarşısı No: 26 A Akdeniz, Mersin
Mevlana Branch-Konya	0332 350 58 48	Şems-i Tebrizi Mahallesi, Mevlana Caddesi No: 23/A Karatay, Konya
Nilüfer Branch- Bursa	0224 441 53 65	Üçevler Mahallesi, Nilüfer Caddesi 3 No'lu Bağımsız Apt. No: 6 C Nilüfer, Bursa
Ordu Branch	0452 222 01 55	Yeni Mahallesi, Zübeyde Hanım Caddesi No: 123 A Altınordu, Ordu
Osmanbey Branch- İstanbul	0212 522 59 82	Mesrutiyet Mahallesi, Halaskargazi Caddesi No: 116 Şişli, İstanbul
Ostim Branch- Ankara	0312 385 08 63	Ostim Mahallesi, Ostim OSB 100. Yıl Bulvarı No: 46 Yenimahalle, Ankara
Pendik Branch-İstanbul	0216 390 46 38	Batı Mahallesi, Erol Kaya Caddesi No: 121 A Pendik, İstanbul
Rize Branch	0464 212 27 69	Piriçelebi Mahallesi, Cumhuriyet Caddesi No: 7 Rize
Samsun Branch	0362 431 99 73	Kale Mahallesi, Kazım Paşa Caddesi No: 11A İlkadım, Samsun
Selçuklu Branch-Konya	0332 235 41 56	Nişantaşı Mahallesi, Metehan Cad. No: 4/A Selçuklu, Konya
Sincan Branch- Ankara	0312 271 30 35	Atatürk Mahallesi, Meltem Sok. No: 21 Sincan, Ankara
Sivas Branch	0346 221 55 16	Eski Kale Mahallesi, Bankalar Caddesi 13-2. Sokak No: 3/A Merkez, Sivas
Sultanbeyli Branch- İstanbul	0216 496 27 38	Hasanpaşa Mahallesi, Fatih Bulvarı A. Apt No: 19 A /1 Sultanbeyli, İstanbul
Şanlıurfa Branch	0414 315 66 38	Kanberkiye Mahallesi, Gazhane Mevkii Kadri Erdoğan Caddesi, No: 10 Haliliye-Şanlıurfa
Trabzon Branch	0462 326 40 84	Kemer kaya Mahallesi, Kahramanmaraş Caddesi No: 13/A Ortahisar, Trabzon
Tuzla OSB Branch- İstanbul	0216 593 45 58	Aydınlı-Birlik OSB Mahallesi, 1 No'lu Cadde No: 2 Tuzla, İstanbul
Ulus Branch-Ankara	0312 312 76 31	Anafartalar Caddesi, No: 16/B Ulus, Ankara
Uşak Branch	0276 224 67 13	İsliçe Mahallesi, İsliçe Sokak No: 2/101 Merkez, Uşak
Ümraniye Branch- İstanbul	0216 474 84 72	Alemdağ Caddesi, Mevlana İş Merkezi A Blok No: 174 Ümraniye, İstanbul
Üsküdar Branch- İstanbul	0216 201 16 12	Mimar Sinan Mahallesi, Uncular Cad. Özden İş Hanı No: 6/B Üsküdar, İstanbul
Van Branch	0432 210 14 34	Serefiye Mahallesi, Cumhuriyet Bulvarı No: 63 İpekyolu, Van
Zeytinburnu Branch-İstanbul	0212 679 49 92	Beşelsiz Mahallesi, Prof. Dr. Muammer Aksoy Cad. No: 38A Zeytinburnu, İstanbul

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