THE YEAR IS 2018

WE ARE 70 YEARS YOUNG

ANNUAL REPORT

AKBANK

Since 1948, we've been here for our people's endless energy and our country's desire to grow.

On this path, a strong commitment to our values and principles guides us.

We know and appreciate that our most significant capital is our shareholders' and clients' endless faith in us. We are built upon your trust.

Above all, we exist because of our clients.

Integrity is our only course. With this in mind, we do what's right every time, without hesitation.

We don't seek to change just today's banking.
We improve the future and stand out through innovation.

We work endlessly to be worthy of the trust and faith of our community.
With a pioneering attitude, we go beyond banking, and we give back to our society by investing in every aspect of life.

Guided by these values, we work to be there for all our customers from an individual Akbank client to our commercial and corporate clients to our farmers, artisans, and SMEs.

It is because of these principles we've been there for you, with you, all along, for seventy years as Turkey's most valuable banking brand.

Here's to another 70 years filled with value and innovation, together.

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MESSAGE FROM THE CHAIRMAN

The banking sector successfully renewed its syndication loans in 2018 despite the volatility in financial markets. The sector's capital adequacy ratio remains high at 17.3% as of December 2018.

Market volatility was elevated and developing country markets became increasingly more fragile in 2018 due to rising protectionism across the globe, trade wars between the United States and China, Brexit, Italy's debt concerns, normalization of the Fed's monetary policy, and geopolitical developments. Markets may continue to exhibit sharp fluctuations in 2019 because of continued uncertainty regarding the United States-China trade war despite some recent progress in negotiations, slowdown in the Chinese economy, ongoing uncertainty regarding the Brexit process, recent data releases pointing to weakening economic activity in Europe, the course of Fed's interest rate policy, and geopolitical developments.

The domestic economy has entered a rebalancing period in the second half of the year. The economy grew at an annualized rate of 1.6% in Q3 due in part to the volatility in financial markets. Private consumption slowed down considerably while contraction in investment lowered growth. On the other hand, affirmative outlook in net exports stemming from contraction in imports as well as higher exports and tourism income supported growth. In our assessment, this trend continued in the last quarter and the rebalancing process will continue in 2019. We project 2.5% growth for the full year in 2018.

Inflation in October 2018 reached its highest level since the middle of 2003 due to the sharp drop in the value of the Turkish lira and high oil prices. Subsequently, inflation rate fell and ended the year at 20.30% as a result of the stabilization in the exchange rate, falling oil prices after October, success of the Full-Scale Fight Against Inflation Program, and sales tax reductions in certain industries. We expect the falling inflation trend to become evident in the second half of 2019.

The budget deficit for 2018 came in at TL 72.6 billion, close to the target stipulated in the New Economic Program. Budget revenues were up 20% annually while budget outlays increased 22% for the year.

The banking sector successfully renewed its syndication loans in 2018 despite the volatility in financial markets. The sector's capital adequacy ratio remains high at 17.3% as of December 2018.

Monetary policy of the central banks of the United States and Europe, geopolitical uncertainties, and developments regarding global trade will play a key role in the outlook for financial markets.

SUZAN SABANCI DİNÇER
Chairman of the Board of Directors

MESSAGE FROM THE CEO

Akbank continued to perform successfully in 2018 despite global economic fluctuations as well as the eventful period Turkey has been going through.

The global economy witnessed major developments in 2018. Chief among them were the trade disputes between the United States and China, additional uncertainties that threaten the global economy such as Brexit, and the rising trend in interest rates that has been going on for a while. These developments hampered economic growth on a global scale by slowing down investment and putting the brakes on global trade.

In the midst of these developments, the Turkish economy also began to experience fluctuations in the second half of the year. However, the Turkish economy embarked on a normalization and balancing period thanks to the swift implementation of effective measures. The banking industry was in close communication and cooperation with these efforts. The tight monetary policy of the Central Bank of Turkey, announcement and rapid implementation of the New Economic Program, and positive geopolitical developments supported this process.

The syndicated loan deal signed by Akbank in September was among the key turning points in this process. In a period of increasing concerns over emerging markets that Turkey is also part of, we managed to extended the Bank's syndicated loan at a high rate of 104% and injected USD 980 million fresh resource into the Turkish economy. We are proud of the support we lend to the Turkish economy at a time of extreme volatility in risk appetite in the international markets. Including the most recent syndication deal, we secured a total of USD 4.8 billion in funding from overseas markets in 2018. As a result, we executed 45 syndicated loan transactions for a total of USD 35 billion worth of international financing since 1993, which we used to support thousands of companies and helped create hundreds of thousands of jobs.

Akbank continued to perform successfully in 2018 despite global economic fluctuations as well as the eventful period Turkey has been going through. As it has always been the case, effective risk management and high asset quality continued to be the Bank's distinguishing traits. We continued to support the Turkish economy on the back of our faith in Turkey's future, our strong capital, sound financials, expertise and experience. Akbank's loan support to the economy in 2018 reached TL 267 billion, including TL 214 billion in cash loans. We increased our total deposits to TL 209 billion and our assets to TL 355 billion. We supported the real economy to the tune of TL 226 billion this year via SME and corporate loans. Akbank reported consolidated net profit of TL 5.71 billion after provisioning TL 1.43 billion for taxes.

MESSAGE FROM THE CEO

With the support of our specialist staff and robust technology infrastructure, we adapt the advances in digital technology to banking products and services at the same speed and deploy them for the use of our customers.

We have been supporting the steady growth of the Turkish economy uninterruptedly for 70 years with our strong financial position and highly-qualified human capital. We take heed of our robust financial position in order to maintain this support at an ever increasing pace. Our strong equity position and prudent banking approach are among our most important qualities. To this end, we resolved to increase our paid-in capital in the final days of the year despite having a strong capital to begin with. We increased our issued capital of TL 4 billion by TL 1.2 billion through a paid rights issue to existing shareholders. The premium capital increase completed in early 2019 bolstered the Bank's equity by TL 3 billion.

This decision, which reflects the confidence of our shareholders in Turkey and the Turkish economy in a major way, further strengthened the Bank against global uncertainties. The Bank's capital adequacy ratio, which was already very strong, was bolstered by about 80 basis points and additional capacity has been created for growth in the forthcoming period.

In addition to our robust financial position, other major pillars that constitute our strength in banking include our strong and highly-qualified human capital and state-of-the-art technology infrastructure. To this end, we attach great importance to improving our human capital and our technology, and we continuously invest in these fields. "Akbank Data and Life Center," for which the Bank broke ground in 2017 and construction continued throughout 2018, is expected to commence service in 2019. Akbank Data Center is designed to host Akbank's entire technology infrastructure, monitor all Bank operations 24/7 with the latest technologies and provide uninterrupted services to our clients. Projected to cost USD 250 million, Akbank Data and Life Center is our largest one-off investment to date.

With the support of our specialist staff and robust technology infrastructure, we adapt the advances in digital technology to banking products and services at the same speed and deploy them for the use of our customers. Our successful trend in Digital Banking continued in 2018. The share of our digital channel customers performing their banking transactions using mobile channels stands at 96% while 97% of all customer transactions are executed through non-branch channels. We continue to provide distinguishing experiences to our customers thanks to the innovations we launch in this area.

Implementing the transformation project that will pave the way for the Turkish banking industry in our 70th anniversary, we launched this new business model at approximately 230 branches. Our new paperless processes achieve 95% paper conservation rate annually in contract transactions alone. The New Extra Tellers enable customers to perform nearly 200 distinct branch transactions on a self-serve basis without waiting in line. We eliminated two out of every three signatures that we obtain from customers. Shortening the commercial credit card application process, we render 75-80% faster service on average and save our customers time.

We won the "Best Bank in Turkey" designation from international finance authorities including The Banker, Euromoney, Global Finance, EMEA Finance, and World Finance, winning these five awards within the same year once again during our 70th anniversary, for the second time after 2016.

We won the "Best Bank in Turkey" designation from international finance authorities including The Banker, Euromoney, Global Finance, EMEA Finance, and World Finance, winning these five awards within the same year once again during our 70th anniversary, for the second time after 2016. At the Euromoney awards, organized in 100 countries for 26 years and followed closely within the banking industry, we were selected "Turkey's Best Bank" for the sixth consecutive year and 12th time overall and made an accomplishment that will be nearly impossible to replicate. In addition, we were deemed the "Best Company in Investor Relations in Turkey" by the Extel WeConvene Survey. We are pleased to see the recognition of our contribution to the economy by raising Turkey's profile among international investors through our transparency-oriented activities in investor relations.

In 2018, we continued to undertake Corporate Social Responsibility projects, an area that we never took a break from under any circumstance since the day we were founded. We received a record number of applications in 2018 for "The Young Volunteers Project" that we carry out with the voluntary participation of the university youth. These young people volunteered for 70 unique social responsibility projects in 26 provinces where they had the opportunity of performing good deeds that touched many hearts. In our 70th anniversary, we invited entire Turkey to smile with our "Donate A Smile" social responsibility project. Under the "You wear a smile, we provide the support," motto, we donated the book and school supplies needs of 50 thousand students at 141 schools in 50 provinces of Turkey.

As a bank that believes in Turkey, we will continue to invest in our country uninterruptedly. We will continue taking major steps forward with a transparent banking approach that places trust above all else. We will maintain efforts toward our principal duty of creating value for our economy, society and culture through the innovative products and services we develop. I would like to extend my gratitude to our valued customers, shareholders and employees for this steady and strong performance.

HAKAN BİNBAŞGİL
CEO


THE YEAR IS 2018
70 YEARS OF
SUPPORT
FOR ECONOMIC
GROWTH

AKBANK IN BRIEF AND MILESTONES

Akbank has grouped its digital banking services, which it pioneered in Turkey, under Akbank Direkt, providing solutions to clients' financial needs.

TL 355 billion

In 2018, Akbank increased its total assets to TL 355 billion.

TL 214 billion

In 2018, Akbank's total loans climbed to TL 214 billion.

TL 209 billion

In 2018, Akbank boosted its total deposits to TL 209 billion.

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective of providing funding to local cotton growers, the Bank opened its first branch in Istanbul's Sirkeci district on July 14, 1950. In 1954, after relocating its headquarters to Istanbul, the Bank rapidly expanded its branch network and automated all its banking operations by 1963.

Initially offered to the public in 1990, Akbank stock began trading in international markets and as an American Depository Receipt (ADR) after its second public offering in 1998.

Akbank's core business is banking activities, consisting of corporate and investment banking, commercial banking, SME banking, consumer banking, payment systems, treasury transactions and private banking, and international banking services. In addition to conventional banking activities, the Bank also conducts insurance agency operations through its branches, on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

With a strong and extensive domestic distribution network of 780 branches staffed by more than 13 thousand employees, Akbank operates from its headquarters in Istanbul and 21 regional directorates across Turkey. In addition to providing services at branch locations, its traditional delivery channel, Akbank also serves more than 17.4 million customers via the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Center, 4,900 ATMs and more than 580 thousand POS terminals as well as other high-tech channels.

Delivering the banking of future today with its advanced technology investments, Akbank has launched a new transformation initiative that will give a new path forward to the industry, on its 70th anniversary. With its reliable, dynamic, lean, innovative and people-oriented approach, Akbank has offered all technological advances to its customers, and implemented this new banking model at nearly 230 branch locations in 2018.

Akbank has grouped its digital banking services, which it pioneered in Turkey, under Akbank Direkt, providing solutions to clients' financial needs and delivering service at the most convenient points with an excellent customer experience. In a world of fast-advancing technology and increasingly demanding customers, Akbank Direkt strives to satisfy client needs without time or physical location limitations while pioneering technological innovations both in the sector and in Turkey.

Akbank anticipates changes in trends and customer dynamics to develop new products and channels for meeting the individual financial needs of clients. With this approach, the Bank has introduced many innovations to Turkey's banking industry. Akbank has taken steps today to ready itself for tomorrow's technologies and to integrate these into the Bank's culture. For this purpose, Akbank Innovation Center "Akbank LAB" was established in 2016. Akbank LAB develops innovative projects to meet the needs of the Bank's various business units. In addition, it works to ensure that globally recognized financial solutions are integrated into the Bank's business processes to achieve the goal of delivering a perfect customer experience.

In 2018, in order to offer customers high-tech solutions, Akbank launched high added value, pioneering projects for the industry. These include login to Akbank Direkt Mobile with face-recognition technology, money transfer and cell phone bill payment with Chatbot, Robotic Process Automation, and international money transfer through collaboration with Ripple and Blockchain infrastructure.

Akbank Banking Center was inaugurated in 2010. Equipped with state-of-the-art technology, the Center is continuously boosting Akbank's productivity and service quality. In 2017, Akbank laid the foundations of Akbank Data and Life Center and continued its investments throughout 2018. The Center is expected to become operational in 2019. The complex comprises Akbank Data Center, which will constitute the core of Akbank's entire technology infrastructure, and Akbank Life Center, which will offer social services to 3,000 Akbank employees. The Center is Akbank's largest one-off investment to date.

Akbank conducts overseas business operations through its subsidiary in Germany (Akbank AG) and a branch in Malta. The Bank introduced AkÖde mobile app and prepaid card to offer practical, swift and creative solutions for the financial needs of non-Bank clients and youth with a strong systems infrastructure. Non-banking financial services, capital markets and wealth management are undertaken by the Bank's affiliates Ak Investment, Ak Asset Management and Aklease.

Akbank continued to win major awards in 2018, a year when many banks felt squeezed by the global economic environment. In an important achievement for the Turkish banking sector, Akbank won "Turkey's Best Bank" award from Euromoney, Global Finance.

In addition to these accomplishments, for the seventh time in a row, the international brand rating firm Brand Finance named Akbank "Turkey's Most Valuable Banking Brand" in 2018.

As one of the most committed supporters of contemporary art in Turkey, Akbank engages in a wide variety of arts and culture activities with the aim of making art more accessible. Akbank is a visionary bank that makes social investments in many diverse areas, including jazz, theater, contemporary arts as well as environmental protection such as the Carbon Disclosure Project, for the advancement of society.

The first Turkish bank to be a signatory to the United Nations Global Compact in 2007, Akbank shares its sustainability performance with stakeholders via the Akbank Sustainability Report. The Bank has published this report in accordance with Global Reporting Initiative (GRI) standards every year since 2009.

AKBANK IN BRIEF AND MILESTONES

With its robust asset structure, Akbank remains the pioneer of the Turkish banking industry.

Committed to creating sustainable value for Turkey's economy, Akbank expanded its total loan portfolio in 2018 to TL 267 billion, of which TL 214 billion is cash loans. This reporting year, the support provided to the real sector through SME loans and corporate loans amounted to TL 226 billion. In 2018, a year marked by global and national market volatility, Akbank prioritized protecting its asset quality. The Bank expended efforts to calculate and report risk in the most healthy manner with efficient and prudent risk management. During the year, Akbank kept close watch on financial and economic developments in our country and across world markets. In addition, the Bank improved existing practices by closely monitoring developments in risk management, such as TFRS 9 standard, Basel principles and other international regulations.

During a period when worldwide concerns toward emerging markets, including Turkey, are on the rise, Akbank successfully rolled over its highly popular and keenly-awaited syndication loan by 104%, thus securing USD 980 million in fresh funds for the Turkish economy. Along with other transactions throughout the year, thanks to its robust financials and solid reputation, Akbank secured total external resources worth USD 4.8 billion for the national economy in 2018.

With its capital increase decision in December 2018, Akbank further bolstered its already strong financial structure, created additional capacity for growth in the coming periods, and sharpened its competitive edge in the market. This crucial step was an important confirmation of Akbank shareholders' trust in our country and economy. As a result of this transaction, Turkey saw foreign direct investment inflow of USD 210 million at the beginning of 2019. In the face of global uncertainties, the Bank's capital adequacy ratio, which was already very high, has risen by about 80 basis points. Additional capacity has also been created for growth in the coming year.

Some 51.1% of Akbank's shares are listed on Borsa Istanbul (BIST). Overseas, the Bank's Level 1 ADR depository receipts are traded on the US OTC market. Akbank's market capitalization stood at USD 5.2 billion as of December 31, 2018.

A YEAR OF ACCOMPLISHMENTS – 2018

In 2018, Akbank was named the "Most Successful Financial Institution in Emerging Markets Borrowing" by Global Finance.

Brand Finance
↗ Turkey's Most Valuable Banking Brand

Euromoney
↗ Turkey's Best Brand
↗ 5 awards in Private Banking

The Banker
↗ Bank of the Year in Turkey
↗ Best Private Banking Company in Turkey

Global Finance
↗ Turkey's Best Brand
↗ Turkey's Best Foreign Exchange Provider
↗ Best Payment and Collection Bank in Central and Eastern Europe

EMEA Finance
↗ 14 Awards

World Finance
↗ Turkey's Best Brand

Mergermarket
↗ Best Energy, Infrastructure Services and Mining M&A

Global Capital
↗ Most Successful Financial Institution in Emerging Markets Borrowing

Extel Survey
↗ Turkey's Best Company in Investor Relations
↗ Turkey's Best CEO in Investor Relations
↗ Turkey's Best Professional for Investor Relations

Stevie International Business Awards
↗ 4 Gold, 3 Silver, 2 Bronze Awards

MIXX Awards Europe
↗ 4 Gold, 3 Silver, 3 Bronze Awards

30th Crystal Apple
↗ 3 Crystal, 5 Silver, 1 Bronze Awards

MMA Smarties Awards
↗ 5 Gold, 10 Silver, 7 Bronze Awards

PERYÖN Human Value Awards
↗ Best Development and Transformation Management Program

Red Awards
↗ Best Social Media Communication
↗ Best Data-Based Creativity

The One Awards
↗ The Year's Most Prestigious Credit Card


THE YEAR IS 2018
70 YEARS OF
INNOVATION
AT THE SPEED
OF LIFE

AKBANK IN 2018

Continuing to undertake significant investments for the future, Akbank changed its organizational structure to merge its Consumer Banking and SME Banking business lines under "Retail Banking."

JANUARY

Akbank shapes the future of banking

The transformation effort that will shape the future of Akbank's banking operations was announced to the public with the participation of Chairman Suzan Sabancı Dinçer and CEO Hakan Binbaşıgil. With the launch of its new branch model and groundbreaking changes in the Bank's way of doing business, Akbank ushers in a new era in banking. The Bank is bringing the banking of the future to customers today with its advanced technology investments. With its 14 thousand employees, Akbank launched a transformation initiative that will shape the entire Turkish banking industry in the Bank's 70th anniversary year.

FEBRUARY

Akbank named "Turkey's Most Valuable Banking Brand" for the seventh time, during its 70th year of operations

For the seventh time in 10 years, the international brand rating firm Brand Finance named Akbank "Turkey's Most Valuable Banking Brand" in 2018, based on its survey results. In the "Brand Power" ranking, a subcategory of brand value, Akbank placed 17th worldwide.

MARCH

Akbank Private Banking and Wealth Management started serving customers with their new configuration and a different perspective

Akbank combined Akbank Private Banking and Akbank Wealth Management in a single business line. The new organizational structure provides highly professional services by investing the assets of individual and private customers.

APRIL

Akbank supports education with "Donate a Smile" during its 70th anniversary!

Akbank continued to make Turkey smile with its social responsibility project"Donate a Smile" in its 70th anniversary year. With the slogan "You wear a smile, we provide the support," Akbank meets the textbook and stationery needs for students as listed on the Needs Map platform.

MAY

A first from Akbank in Turkey: Login by "Selfie"

Shaping the future of banking, Akbank became the first bank in Turkey to introduce the "Login with Selfie" feature for Akbank Direkt, to enable customers to access the Bank's services quickly and easily.

JUNE

FinTech initiatives, Blockchain and the Banking Sector discussed at CEF Conference

The conference entitled "The Future of Financial Markets," organized by the Center of Excellence in Finance (CEF) at Sabancı University, hosted domestic and foreign speakers, who were experts in their respective fields.

JULY

Akbank: Turkey's Top Bank, once again

Akbank received the designation of "Turkey's Best Bank" at Euromoney Awards for Excellence for the sixth year in a row, and for the 12th time in total.

AUGUST

Akbank and KAÇUV made children happy on the eve of the holidays

Akbank Volunteers – who have implemented a wide range of voluntary projects throughout the year, from book and toy collection campaigns to activities to raise savings awareness – sent holiday gifts via KAÇUV to sick children undergoing treatment at various hospitals in Turkey.

SEPTEMBER

International banks demonstrate confidence in Akbank

Akbank successfully rolled over its syndication loan by 104%, exceeding the set target, and secured USD 980 million in fresh funds for the Turkish economy.

OCTOBER

8 thousand university students applied to Akbank's "The Young Volunteers Project" initiative

Some 8 thousand university students applied to Akbank's volunteer work initiative "The Young Volunteers Project," organized for the fourth time by Akbank. Under this effort, 2 thousand youth started working as volunteers in social responsibility projects conducted by 10 NGOs active in different areas across Turkey. The student volunteers were then invited by Akbank to the "The Young Volunteers Project" concert, featuring the popular singer Kalben at Volkswagen Arena on November 24th.

NOVEMBER

Akbank's Retail Banking drive

Continuing to undertake significant investments for the future, Akbank changed its organizational structure to merge its Consumer Banking and SME Banking business lines under "Retail Banking."

DECEMBER

Akbank further bolsters its shareholders' equity with a capital increase of TL 1.2 billion

Akbank announced that it will increase its issued capital of TL 4 billion by TL 1.2 billion by exercising existing shareholders' share purchase rights.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

On February 27, 2019 Akbank's Board of Directors decided to hold The Shareholders' Ordinary General Assembly of our bank on March 25, 2019, Monday, at 14:00, at the Akbank Head Office, Sabancı Center 4. Levent, Istanbul, to discuss the agenda.

The Agenda of the Ordinary General Assembly of 2018:

1. Appointment of the Meeting Presidential Board,
2. Communication and discussion of the Annual Report of the Board of Directors,
3. Communication of the Independent Auditors' Report,
4. Communication, discussion and ratification of the Financial Statements of 2018,
5. Discharge of liability of the members of the Board of Directors,
6. Decision on the appropriation of 2018 net profit,
7. Appointment of the Members of the Board of Directors whose terms have expired,
8. Determination of the compensation of the Members of the Board of Directors,
9. Appointment of the Independent Auditors,
10. Amendments to be made to Articles 9 and 27 of the Bank's Articles of Association, provided that all necessary legal approvals have been obtained,
11. Empowerment of the Board of Directors in connection with matters falling within the scope of articles 395 and 396 of the Turkish Commercial Code,
12. Determining the limits of donation for 2019,
13. Information regarding the donations made in 2018 and the Remuneration Policy of the Bank.

ANNUAL REPORT COMPLIANCE OPINION

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 Akbank T.A.Ş.

1. Qualified Opinion

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

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

2. Basis for Qualified Opinion

As expressed in the auditor's report dated 31 January 2019 on the full set consolidated and unconsolidated financial statements for the 1 January - 31 December 2018 period; a portion of free provision amounting to TL 150.000 thousand on net basis has been reversed in the current year, out of total free provision of TL 700.000 thousand provided in the prior years by the Bank Management considering the possible effect of the circumstances that may arise from the changes in the economy and market conditions. The amount of free provision in the accompanying consolidated financial statements is TL 550.000 thousand as at 31 December 2018.

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

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

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

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

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

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

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

ANNUAL REPORT COMPLIANCE OPINION

pwc

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

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

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

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

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

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

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

Talar Gül, SMMM
Partner

Istanbul, 1 March 2019

ESTABLISHMENT INFORMATION, CAPITAL AND SHAREHOLDER STRUCTURE, AMENDMENTS TO THE ARTICLES OF ASSOCIATION

ESTABLISHMENT INFORMATION

Akbank was established as a privately-owned commercial bank pursuant to the authorization issued by Resolution No. 3/6710 of the Council of Ministers of Turkey dated December 12, 1947 to conduct the full array of banking operations and to conduct all types of economic, financial and commercial ventures and activities not prohibited by the laws of the Republic of Turkey. The Bank commenced operations on January 30, 1948 in Adana. The Bank's status has not changed since the day it was founded. Akbank's Commercial Registry Number is 90418.

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4. Levent 34330 Istanbul
Telephone: +90 212 385 55 55
Branch and ATM addresses:
http://www.akbank.com/tr-tr/Sayfalar/akbank-sube-ve-atm.aspx

CHANGES TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

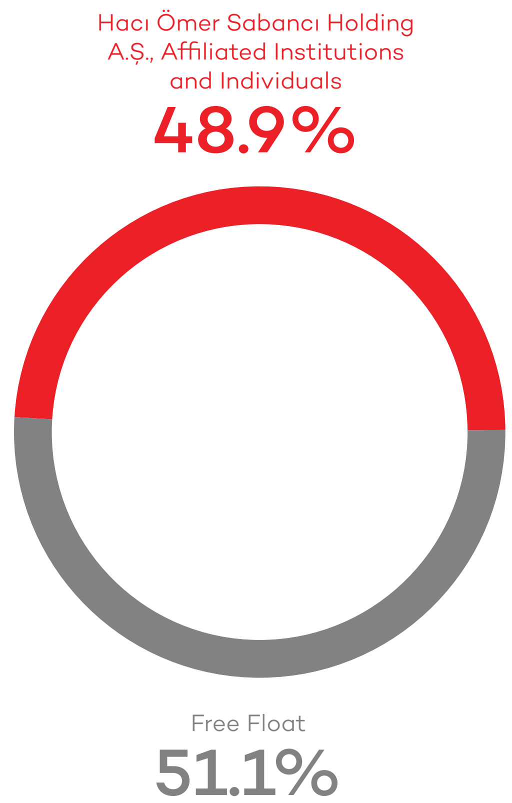
There was no change to the Articles of Association during the reporting period.

CAPITAL STRUCTURE

Akbank's issued capital is TL 4,000,000,000.

As of December 31, 2018, the Chairman of the Board of Directors, Ms. Suzan Sabancı Dinçer, holds 0.63% of Akbank's outstanding shares.

SHAREHOLDER STRUCTURE



OUR VALUES

We are built upon your trust.
We exist because of our clients.
We do what's right.
We stand out through innovation.
We give back.

OUR VISION

To be the leading bank that drives Turkey into the future

OUR MISSION

Creating superior and sustainable value for all our stakeholders through innovative and reliable financial services

STRONG FOUNDATIONS

- ↗ Strong, local majority shareholder
- ↗ Solid capital
- ↗ Highly-qualified team
- ↗ Prudent risk management and robust asset quality
- ↗ Proactive ALM and strong liquidity
- ↗ Favorable cost base and high efficiency
- ↗ Stable and broad-based funding mix
- ↗ Well-diversified and sustainable revenue generation
- ↗ Innovative initiatives that herald the future of banking

STRATEGIC GOALS

- ↗ Being the best bank in Turkey in terms of customer experience and satisfaction
- ↗ Maintaining strong asset quality through efficient risk management
- ↗ Preserving our competitive cost structure
- ↗ Ensuring a superior customer experience in all channels
- ↗ Enhancing customer value through innovative solutions
- ↗ Building the future of banking by investing in people, technology and advanced analytics


THE YEAR IS 2018
70 YEARS OF
SERVING
OUR
COMMUNITY

CORPORATE AND INVESTMENT BANKING

As it has also been the case in previous years, Akbank Corporate Banking continued and increased its synergy with other business units and subsidiaries in 2018.

Akbank Corporate and Investment Banking shapes its operations towards becoming the main bank of its clients. This is achieved by developing long-term business partnerships with customers, providing high value-added products and services, and delivering specialized solutions from a single hub.

The Bank continued proactively offering all products and services of both Akbank and Akbank's subsidiaries designed exclusively for corporate segment clients under a single roof in 2018 under the new "One-Stop Corporate Investment Banking" business model. Akbank Corporate and Investment Banking contributes to increasing its clients' efficiency, productivity and competitiveness by developing solutions tailor made for each firm and by offering an extensive portfolio of structured products that meet international institutional and investment banking standards.

94%

Akbank's digitization ratio in the Corporate Banking segment rose to 94% in 2018.

CORPORATE BANKING

Having embraced the principle of customized service in the Corporate Banking segment, Akbank continued to expand its support to clients, for which the Bank is the main solution partner, in 2018. As of year-end, the number of active corporate banking clients that the Bank provides solutions to the needs of from an advisory perspective reached 2,500.

Having designated digitization as a strategic priority and distinguishing itself from the competition in its industry in this respect, Akbank boosted its digitization ratio in the Corporate Banking segment to 94% in 2018.

Akbank's growing support to multinational corporations

Akbank Corporate Banking accelerated its activities to increase its penetration in the multinational corporations segment in 2018. The Bank leveraged its staff specialized in serving multinational corporations to support this client segment's operations in Turkey and developed services in response to their needs. Similarly, as a result of events organized for the participation of companies as well as the extensive product portfolio it makes available to customers, the Bank increased its business volume with multinational corporations in 2018. Akbank has prioritized growing in this target segment in 2019 as well.

As it has also been the case in previous years, Akbank Corporate Banking continued and increased its synergy with other business units and subsidiaries in 2018.

Akbank Corporate Banking Department aims to continue to develop products for the needs of customers in its segment, offer custom-tailored solutions, and solidify its leadership in the industry in 2019.

INVESTMENT BANKING

Akbank continued to pave the way in its industry in 2018 through investment banking-specific solutions and innovative approaches that spearhead the project finance market.

The Bank consolidated its leading position in Turkish investment banking in 2018 as it prioritized secured projects such as debt assumption and purchase-guaranteed transactions, and added projects with strong collateral and healthy payback structure to its portfolio.

80% share of renewable resources in energy generation projects

In 2018, Akbank continued to focus on financing energy projects and, in keeping with its practice in the last three years, 100% of the funds were disbursed to renewable projects, raising the share of renewable energy projects in its portfolio to 80%. As of year-end, the Bank's energy portfolio includes 676 MW wind energy, 314 MW hydroelectric energy, 60 MW geothermal energy, and 36 MW solar energy projects.

In 2018, Akbank provided USD 174 million financing to the "Floating LNG Storage and Regasification Unit" project (FSRU) that reinforced Turkey's strategic position in the energy industry.

The Akbank distinction in financing privatization deals

In addition to financing the privatization of Kılavuzlu and Menzelet HEPP projects, the Bank also provided a TL 558 million letter of credit as part of the privatization of the Turhal Sugar Factory, a facility of Türkiye Şeker Fabrikaları A.Ş. owned by the Directorate of Privatization Administration (OIB).

Mega infrastructure projects and cooperation with international institutions

Akbank provided a EUR 100 million project finance loan to the Çanakkale-Malkara Motorway (including 1915 Çanakkale Bridge) project in 2018 as part of its funding efforts for build-operate-transfer mega infrastructure projects. Total investment cost of the project, which Akbank participated in as a guarantee agent, stands at EUR 3.1 billion while 24 financial institutions, consisting mostly of foreign banks, provided EUR 2.3 billion financing to the project.

The transactions undertaken by Akbank Investment Banking were recognized with awards in 11 distinct categories in 2018.

↗ Akbank Investment Banking received the "Best Investment Bank in Turkey" award from World Finance.

↗ In addition, Bonds & Loans recognized the Bank with
- the "Transaction of the Year in Acquisition Finance Category" award for its financing of Vitol-VIP Turkey Enerji A.Ş.'s acquisition of Petrol Ofisi
- as well as the "Transaction of the Year in Transportation Finance Category" award and third place designation in the "Transaction of the Year in Infrastructure Finance Category" for its refinance of the debt facility of Antalya Havalimanı Terminal Yatırımı.

↗ EMEA Finance recognized Akbank with
- the "Best M&A Deal in Central and Eastern Europe" award for its financing deal of Vitol-VIP Turkey Enerji A.Ş.'s acquisition of Petrol Ofisi,
- the "Best Private Equity Investment Transaction in Central and Eastern Europe" award for its financing deal of Turkven and Sancak Group's acquisition of MNG Kargo,
- the "Best Refinance in Eastern and Central Europe" award for its refinance of the debt facility of Antalya Havalimanı Terminal Yatırımı,
- the "Best Natural Resource Transaction" award for its investment financing of the Lapseki and İvrindi gold mines,
- the "Best Restructured Finance Transaction in Central and Eastern Europe" award for the financing deal of phase two of Zorlu Doğal Elektrik's Kızıldere III geothermal power plant,
- and the "Best Renewable Energy Transaction" award for the financing deal of phase two of Zorlu Doğal Elektrik's Kızıldere III geothermal power plant.

↗ Akbank also received the M&A award in the "Energy, Infrastructure Services and Mining" category from Mergermarket for its success as a lead arranger in the financing deal of Vitol-VIP Turkey Enerji A.Ş.'s acquisition of Petrol Ofisi.

Akbank Investment Banking will successfully implement its plans with a diversified loan portfolio in 2019 while continuing to lend to a number of different industries such as energy, infrastructure, real estate, manufacturing, services, transportation and petrochemicals in an effort to ensure the sustainability of its balanced loan book.

CASH MANAGEMENT AND FOREIGN TRADE DEPARTMENT

Akbank is the first, and as of year-end 2018 the only, bank in Turkey to offer overseas money transfer service to customers via digital channels using the Blockchain technology.

CASH MANAGEMENT

Akbank Cash Management won two international awards in 2018 owing to its solution-oriented, innovative products and services in the "payments and collections" segment. The Bank was recognized with the first-place prizes in the Global Finance magazine's "Best Bank for Payments & Collections in Central and Eastern Europe" category as well as in the "Best Payment Services in Central and Estern Europe" category of EMEA Finance's "Treasury Services Awards 2018." Akbank was deemed worthy of this same award by EMEA Finance for the third time in the last four years.

CORPORATE AND INVESTMENT BANKING

Akbank was the market leader in check payment volume, one of the major indicators in trade finance, during the 2018 operating year.

A new era in money transfers at Akbank
Akbank completed all developments to execute overseas money transfers via Ripple, a platform using the Blockchain technology, and began offering this service to clients through the Akbank Direkt Consumer channels in 2018. Customers have access to a 24/7, fast and flexible service on Akbank Direkt Consumer Internet and Mobile branches where they can make fast and convenient British Pound money transfers to Santander UK while seeing transaction fees transparently prior to execution. The first and, as of year-end 2018, the only bank to enable customers to perform international money transfers over digital channels using the Blockchain technology, Akbank strives to expand its transfer network in 2019.

Akbank was the market leader in check payment volume, one of the major indicators in trade finance, during the 2018 operating year. Used by corporate and commercial segment firms with a great level of satisfaction in their payments to the marketplace, the Bulk Payment System grew 23% in lira-denominated payment volume and 27% in foreign currency-denominated payment volume. The Bank's digitization rate in money transfers reached 97%.

Innovative products and applications in cash management
Following the E-discount application launched last year as part of its trade finance services, Akbank unveiled Digital Payment Guarantee, a new product that offers payment and collection guarantee service, for the benefit of its customers in 2018. Digital Payment Guarantee aims for an online guarantee arrangement between the parties during goods or services purchases through digital channels. In addition, Supplier Financing, an advance financing product, was activated on Akbank Direkt Internet.

As part of its digital transformation and "Open Banking" vision, Akbank Cash Management focused on
- partnerships with existing ERP Systems,
- integration with trade finance platforms,
- granting access to invoice and money transfer systems to the payments institutions licensed by the Banking Regulation and Supervision Agency (BRSA) in 2018.

FOREIGN TRADE
Akbank's vision in foreign trade transactions is to generate global solutions to local needs. Armed with this approach, Akbank Foreign Trade Sales and Product Management Unit continues to combine its products, know-how and experience in foreign trade and financing of foreign trade with the advantages of Akbank's technology infrastructure and extensive international correspondent network and offers them to foreign trade companies under a high-quality and continuous service concept. The Unit's regional foreign trade managers continued to generate instantaneous solutions at high standards to the needs of customers during 2018.

In the trade finance segment, in addition to the Bank-sourced loans, Akbank plays an active role in disbursing Turk Eximbank's short, medium and long-term cash and non-cash loans as well as Central Bank's rediscount credits to manufacturing/exporting firms and foreign trade stock corporations.

Partnerships in support of exporters
The Partnership Protocol, signed with the Turkish Exporters' Assembly (TIM) for the first time in 2014, was revised and extended in 2018. As part of this partnership protocol, in addition to financing support under advantageous terms, the Bank provides exporter firms with insurance, factoring, treasury and other risk-hedging financial products.

Akbank continued to serve as the main sponsor for the "Stars of Exports - Export Incentive Awards" that has been organized since 2002 to recognize successful exporters. The organization, undertaken as a collaboration of the Dünya newspaper and Akbank under the leadership of the Turkish Exporters' Assembly (TİM), aims to reward and incentivize exporter firms in an attempt to expand Turkey's exports and increase the share of exports in the Turkish economy. As part of the organization, all firms that ranked in any of the categories won Akbank Wings Business Card advantages as well as miles to be used in domestic or overseas travel.

Enriching services in line with customer needs
The Bank offers export factoring, export receivables insurance, financing for insured receivables, and BPO (Bank Payment Obligation) service, a new payment form that has been gaining momentum recently, in order to minimize receivables collection risk for Akbank clients that mostly export on a running account or cash against goods basis while meeting the working capital needs of exporters.

Akbank AG, the Bank's Germany-based subsidiary, supports sales of exporters particularly to Europe by offering low-cost funding and irrevocable discounting service.

Akbank will accelerate its efforts to reinforce its position as the bank for exports in 2019.

INTERNATIONAL BANKING
Leveraging its continuously-growing correspondent banking network spanning 130 countries and its network of export credit agencies, Akbank continues to intermediate its clients' foreign trade, payments and letter of guarantee transactions and enhance their competitiveness by providing medium and long-term resources for their investments.

2018 marked another successful year for Akbank as the Bank registered transactions that were turning points for Turkey as part of its sustainable international borrowing strategy. The Bank raised USD 4.8 billion in 2018 through syndicated loans, Tier 2 Eurobond issuances, securitization deals and bilateral borrowing transactions.

Akbank continues to break new ground in the sector in international borrowings
Akbank issued Basel III compliant Tier 2 Eurobonds for the second time on February 27, 2018. The 10-year, USD 400 million issuance, sold at a yield and coupon rate of 6.797%, has an early retirement option after five years. The placement drew interest from nearly 90 investors from across the world. Akbank became the only Turkish bank to issue Tier 2 bonds via market placement in 2018. This issuance reduced the sensitivity of exchange rate volatility on the Bank's equity while further strengthening its capital adequacy ratios.

In 2018, Akbank also closed securitization deals worth USD 800 million with an average maturity of six years. On March 26, 2018, Akbank secured a syndication loan of USD 1.2 billion. Akbank received a record level of offers amounting to USD 1.5 billion, more than 130% of its target. Akbank accepted USD 1.2 billion of this amount thanks to its robust balance sheet and ample liquidity. The USD 950 million tranche has a one-year maturity and the remaining USD 250 million has a two-year maturity. The loan has an interest rate of LIBOR/EURIBOR + 1.30/1.20% for the one-year tranche and LIBOR + 2.10% for the two-year tranche.

Heavy interest and large participation in Akbank's syndication loan
Akbank secured a USD 980 million syndication loan on September 27, 2018, immediately after the economic fluctuation that Turkey witnessed in the middle of the year stemming from exchange rate volatility, as a vital development that paved the way for the strong and resilient Turkish banking industry. The one-year tranches of the loan were secured at a cost of LIBOR+2.75% and EURIBOR+2.65%, respectively, for the US dollar and euro denominations. In a challenging period of fluctuations in emerging markets, reduced access to liquidity, and rising borrowing costs, Akbank rolled over its syndication loan at a rate of 104% and rang the opening bell for the post-crisis Turkish syndication market.

Akbank garnered four first place awards at EMEA Finance's "2017 Achievement Awards," and was selected as the "Most Successful Bank in Overseas Borrowing Transactions." As a result of the USD 1.2 billion syndication loan and two mortgage backed securities (MBS) issuances totaling TL 1.2 billion in 2017, the Bank was deemed worthy of the "Best Financial Institution in International Borrowing," "Best Institution in Central and Eastern Europe in Syndication Loans," "Best Syndication Transaction in Central and Eastern Europe" and "Best Mortgage Backed Security Issuance in Central and Eastern Europe" awards. Akbank was also voted the "Most Successful EM Bank in International Borrowing Transactions" at the Global Capital Bond Awards. Akbank was the only Turkish bank to win an award at the Global Capital Bond Awards.

COMMERCIAL BANKING

Akbank Commercial Banking identifies clients' financial and non-financial needs proactively at the customer level, generates solutions, and helps customers enhance their competitiveness.

90% Digitization

As of year-end 2018, digitization rate of Commercial Banking customer transactions reached 90%.

Having built its main strategy on relationship management and providing custom-tailored solutions, Akbank Commercial Banking continued to stand by its clients in 2018 with 17 Commercial Branches, 180 Hybrid Branches, and approximately 800 Commercial Banking specialists.

Striving to create value for its customers and help them grow profitably and sustainably, Akbank Commercial Banking identifies clients' financial and non-financial needs proactively at the customer level, generates solutions, and helps customers enhance their competitiveness. Commercial Banking continued to conduct customer visits and serve as a close solution partner of clients in 2018. Akbank Commercial Banking maintained its successful performance even in the volatile macroeconomic environment of 2018 thanks to its needs-oriented banking solutions and applications, expertise and effective risk management. This integrated approach is the foremost element that sets Akbank's Commercial Banking services apart from its competition.

Customer-oriented and innovative projects

Akbank Commercial Banking focused on the customer-centered improvement program in 2018. Two different projects carried out where the Bank overhauled services rendered by each channel (Branches, Alternative Distribution Channels, Internet and Mobile Branches) end to end, and meticulously planned and began to implement process simplification, digitization and automation tasks. On the basis of product groups, the Bank also identified areas of improvement under the process simplification, digitization and automation headings and started to generate solutions. These projects are managed under the "agile" approach; outcomes have begun to be reflected in customer satisfaction. To this end, digitization rate of Commercial Banking customer transactions reached 90% as of year-end 2018. In 2019, Akbank plans to accelerate its projects aimed at building a distinct and new Commercial Banking perception in the eye of the customers.

Continuously supporting clients with high value proposition products, services and solutions

Akbank continued to distinguish itself in the sector in the Commercial Banking segment owing to its extensive product range and flexible solutions in 2018. Leveraging its extensive correspondent network in foreign trade transactions, the Bank intermediates companies' foreign trade deals with a large number of different locations in the world, supporting their presence in overseas markets. Akbank Commercial Banking continues to offer its clients foreign trade financing solutions such as Country-Specific Loans, GSM Loans, Cash against Goods Export Credit, Installment Export Credit, Eximbank Loans, Discounted Export Letters of Credit and Export Factoring, and Advance Payments against L/C. In a year where exports gained prominence in 2018, the Bank made the requisite prioritization choices, conducted customer visits, and generated holistic solutions to all of their banking and non-banking needs, from financing needs to transaction-based needs. A wide variety of hedging products such as options, forwards, zero-cost collars and cross currency swaps are offered to customers who are seeking protection against foreign exchange, interest rate and commodity price fluctuation risks. Akbank Commercial Banking also structures unique derivative products in accordance with customer needs. Efforts that were launched in 2018 concerning the platform where high trading volume customers can directly place their trading orders are ongoing at a rapid pace; this new transaction channel is expected to come online in the second half of 2019.

On the credits front, Akbank continued to fund the high-quality loan portfolio that it has put together over many years. Despite the economic environment-related volatility in exchange rates and interest rates, Akbank extends long-term financing for industrial energy efficiency projects, insulation of buildings and renewable energy investments including geothermal, solar, biomass and biogas energy projects when the right projects present themselves. Other renewable energy project finance initiatives include the project financing of hydroelectric power plants (HEPP), wind power plants (WPP) and geothermal energy facilities. Despite the challenging economic environment characterized by intense fluctuations and rising risks, the Bank for the most part managed to maintain both corporate finance and project financing portfolios in terms of number of loans and credit volume in 2018.

Also launched in 2018 and projected to continue at an accelerating pace in 2019, the "E-Letter of Credit" project aims to increase the use of electronic letter of credit among Bank stakeholders, including various public enterprises and agencies.

Akbank Commercial Banking also provides its clients with solutions that leverage products offered by the Bank's subsidiaries or sister companies consisting of Aklease, Aksigorta, Ak Investment, Ak Asset Management and AvivaSA.

Akbank Commercial Banking built its 2019 strategies on creating customer value, with particular focus on exports and activities with foreign currency earnings. The Department will continue to stand by its clients and help them boost their profitability according to the customer's position within the supply chain, its business line, area of operation, and deep-rooted relationship with the Bank.


THE YEAR IS 2018
70 YEARS OF
ENDORSEMENT
FOR PASSIONATE
ARTISTS

RETAIL BANKING

Akbank reorganized its business lines at the end of 2018 where the Consumer and SME Banking Departments, which were previously managed under different organizations, were consolidated under a single roof under the name of Retail Banking.

SME BANKING[1] AND CONSUMER BANKING

Akbank reorganized its business lines at the end of 2018 where the Consumer and SME Banking Departments, which were previously managed under different organizations, were consolidated under a single roof under the name of Retail Banking. As a result of the new organization, which will promote organizational efficiency and efficient use of resources, the Bank will continue to render quick, innovative and competitive services to individuals as well as to Tradesmen and SMEs, who have similar needs in many areas.

Akbank Retail Banking's focus on digital transformation

The fast-paced development of digital interaction and consumers' intensive use of mobile channels have a transformational impact mostly on banking. Akbank has formulated a proactive strategy in response to this reality to become the leader of the digital transformation in the industry. The Bank constantly enhances its mobile banking experience both for Consumer and for SME customers. Akbank places the principles of "being part of the lives" of consumers and SMEs and "being where its customers are" at the core of these initiatives.

97%

The share of customers using Akbank Direkt reached 60% while 97% of transactions were performed through digital channels in 2018.

The share of customers using Akbank Direkt reached 60% while 97% of transactions were performed through digital channels in 2018. 70% of general purpose loans were taken out using digital channels in 2018. 55% of consumer credit cards were obtained through digital channels.

Akbank launched the Direkt Pay service in e-commerce and in-store purchases through systemic developments and partnerships, beginning to offer an end-to-end digital solution during its consumer banking customers' moments of need. Bank customers can pay for their purchases either from their accounts, or with credit through instantaneous access to general purpose loans.

The Bank unveiled the artificial intelligence-based Chatbot technology in 2018; nearly 2.5 million sessions were registered during the year. Owing to the developments conducted by the Bank, Akbank customers became the first ones in Turkey to login to their Mobile Banking app without having to type a password thanks to the deployment of face recognition technology.

Akbank created end-to-end digital processes in internet and mobile applications for the banking needs of SMEs as well as for consumer banking customers. SMEs that have the Akbank Direkt Mobile app can tap their commercial lines of credit easily and quickly with attractive interest rates through the app. All sole proprietorships, whether Akbank customers or not, that desire to be a member merchant or acquire a commercial card can complete all application and opening processes on a 24/7 basis through www.akbank.com or Akbank Direkt without having to visit a branch.

[1] *SME Banking serves those customers that are determined in accordance with the business model of Akbank.*

Having unveiled a large number of innovations for its SME customers, Akbank continues to develop practical solutions to customer needs in addition to financial services. To this end, as a first in Turkey, the Bank partnered with Google to enable its customers to sign up instantaneously free of charge, via the Akbank Direkt channel, for Google My Business that lets firms to be found more easily by consumers through Google searches. As a result, the Bank's all SME customers now can use Akbank Direkt to perform another important transaction with minimal effort in no time.

SMEs can also utilize the Akbank Direkt application for their cash management and foreign trade transactions. This application enables firms to make employee salary payments or bulk payments quickly and conveniently while foreign trade customers can perform their import payment transactions using Akbank Direkt. In addition, the Bank can undertake cash, or cash against goods, import transfer transactions.

The mobile applications offered by Akbank make the lives of SMEs easier. POS-owner SMEs can access all information on service terms and conditions, daily revenue realizations, end-of-day reports, and campaigns through the Akbank Direkt application. In addition, Akbank member merchants can reach average turnover of other member merchants operating in the same sector by location and segment, which allows them to assess where they stand with respect to their competitors.

The Bank has established solution partnerships with FinTech companies that develop digital apps, which help SMEs meet their needs and boost productivity. The Bank strives to pave the way for the growth of the FinTech ecosystem with the solution partnerships it established, with the bookkeeping application Paraşüt (Parachute) that provides value-added solutions for SMEs, and with Kolay İK (Easy HR) geared toward serving HR needs.

New Generation Akbank branches perfecting the customer experience

Akbank strives to perfect the customer experience by using advances in technology in all service channels according to customer needs. In addition to digitization initiatives in all channels, the Bank modernized the existing technology infrastructure at nearly 230 branches, which enhanced branch personnel's service speed and capability to generate personalized solutions while leading to the design of paperless processes.

Akbank mobilizes its resources to help the digitization not only of its customers but also its workforce. Operating under the Retail Banking organization, Consumer and SME Customer Relationship Managers can access their customers' information from their mobile devices and offer clients a wide array of products, from loans and deposit products to member merchant services and checkbooks, according to their needs during customer visits. Customers can meet their needs over mobile channels without having to visit a branch, which helps alleviate the operational workload at the branches.

As all branch and digital processes are overhauled to perfect the experience, a strong database and analytical prowess enables Akbank to know its customers closely, deliver personalized offers, and deepen its relationships with customers.

Extensive deposit base growing with savings

Akbank implemented efficient and dynamic policies in 2018 to further strengthen its deposit structure, thereby expanding the deposit base and increasing its volume. The Bank improved the Nar Account, bill payment, and tuition and membership fee payment services while offering convenient digital solutions for customers' day-to-day banking transactions, increasing its demand deposit base. The number of customers adding to their savings through digital channels, by way of the Direkt Serbest Account (Flexible Account) available exclusively through the Internet and Mobile channels, surged 25%.

Akbank supports the country's economy not only with a deposit base constantly growing with products and services, but also with corporate social responsibility projects aimed at raising awareness on the importance of savings. Akbank was among the institutions lending the strongest support to initiatives to improve financial literacy and to boost national savings with the "Savings Campaign" and "Akbank Children: Heroes of the Economy" projects that launched in 2012; plays communicating savings themes at the Akbank Children's Theatre that was launched in 2014; and Akbank Money Boxes given out to the children.

Consumer finance

Akbank, one of the leaders in the Turkish banking industry, is also active in the consumer loans market where the Bank supports customers in a wide variety of areas, from home and car purchases to their education, wedding and short-term cash needs. The Bank's utmost priority is to make the highest quality service available to customers easily and quickly without inconveniencing them. To this end, Akbank enriches the banking services provided on digital channels with each passing year, enabling its customers to apply for and take out loans easily without having to visit a branch.

RETAIL BANKING

The StartUpCampus Entrepreneurship Program was designed to help young entrepreneurs who have recently started their own enterprises and launched their products grow their businesses.

During this past year, Akbank focused its efforts on consumer lending services over Mobile, Consumer Banking Internet Branch, and 444 25 25 Akbank Telephone Branch, as the loans originated through digital channels account for approximately 70% of the Bank's total number of loans as of year-end 2018. Akbank will continue to stand by its customers through its lending activities in the upcoming period while remaining steadfast to its healthy growth strategy.

Akbank continues to support everywhere SMEs are

Akbank SME Banking's support for the SMEs is not limited to financing. The Bank also renders advisory and guidance services, provides the necessary information for SMEs to tap this funding resource, and encourages their growth.

Akbank, which alongside Vodafone served as the main sponsor of Turkey Technology Meetings organized under the auspices of Ministry of Commerce of Turkey and Union of Chambers and Commodity Exchanges of Turkey (TOBB), participated in the "Digital Transformation of SMEs, E-Commerce and E-Exports" meetings as part of the panel discussion entitled "Where are FinTechs in SMEs' Digital Transformation?" After attending the meetings in Trabzon, Izmir and Çanakkale, Akbank will also take part in the get-togethers to be held in Trabzon, Antalya, Malatya, Bursa, Denizli and Samsun in 2019.

During the "Tourism: Our Future" meetings conducted by Akbank in cooperation with the Turkish Hoteliers Federation (TUROFED) with the participation of industry representatives and tourism investors and professionals in Bodrum and Alanya, 2017 season was reviewed, projections for the 2018 season were discussed, and tourism was assessed under the headings of the economy, the environment and digitization.

In collaboration with Sabancı University Executive Development Unit (EDU), the Bank organized the 12th edition of "Akbank Family Company Academy" in 2018, which was first held in 2014. In response to the requests from the leading companies in the industry, the program was administered for Akbank customers as well as their distributors and dealers. In addition to the training program, a new guide book titled "Success Factors of Century-Old Brands" was put together in the subject of "devising a brand strategy" which was among the areas of improvement identified in the "Keys to Sustainable Success in Family-Owned Businesses" report that was drafted in previous years. The guide book details how each century-old family-owned brand successfully managed this process.

CaseCampus, the young entrepreneurs program carried out with the Endeavor Association, continued in 2018. The CaseCampus Program brought together the most seasoned academics, most curious students and most recent entrepreneurial stories in Turkish language content outside of the classroom environment for the first time in Turkey. In addition to these, the StartUpCampus Entrepreneurship Program was designed to help young entrepreneurs who have recently started their own enterprises and launched their products grow their businesses. The program that began in November as a business partnership with the Endeavor Association provided entrepreneurs with 10 weeks of training, workshops and mentoring support as well as the opportunity to get together with investors.

Akbank meets the needs of the agriculture sector via banking products and insurance services that are designed in accordance with the seasonal nature of the cash flows of customers in this segment. The Bank educated farmers about Akbank products and services at the fairs it participated in Izmir, Bursa, Konya, Adana, Lüleburgaz and Antalya.

As part of its iftar (breaking the fast) dinner organizations during the month of Ramadan, Akbank got together with SMEs, farmers and industry representatives in Adapazarı, Akhisar, Antalya, Çanakkale, Kayseri, Konya, Malkara, Mardin, Mersin, Nazilli, Salihli, Samsun, Trabzon, Şanlıurfa and Istanbul and listened to their demands and needs firsthand. In light of this information, the Bank continues to develop innovative products and services for SMEs.

AFFLUENT BANKING

Extending across Turkey, Affluent Banking is a comprehensive financial services package that serves clients with dedicated Affluent Banking Managers, My Affluent Banking Provider, and the Affluent Banking Specialist Line. It provides a differentiated product range, special prices and rates, privileged services across all channels, and daily financial notifications.

Continuing to expand and grow pursuant to increasing number of customers as of year-end 2018, Akbank Affluent Banking reached 150 thousand clients across Turkey served by 350 Affluent Banking Managers in more than 260 branches.

In addition, the Bank serves more than 85 thousand Affluent Banking customers across the country via 120 specialist customer representatives in 2018 under a remote portfolio management service model.

Improvements and developments in products and services were made for Affluent Banking clients during 2018, as a result of which the Bank increased penetration in core banking products such as General Purpose Loans, Overdraft Accounts, Bill Payments, and Pension Salary Payments while enhancing customer satisfaction.

Affluent Banking clients were provided with the opportunity to take advantage of privileged service including Live Support via video chat, particularly for investment products, along with personal agenda tracking and reminders through Akbank Direkt Plus, a web-based premium services platform that exclusively serves Affluent Banking clients and is enriched with new functions every year.

The "Expat Banking" service model, created under the Affluent Banking concept, continues to operate out of six branches located in three provinces where foreign nationals live in large numbers. Branches that do not have an expat customer representative on premises offer remote service in the English language via the Affluent Specialist Line Expat staff. The Bank will continue launching new projects in 2019 for customer satisfaction and process perfection.

The traditional "Affluent Banking Investor Meeting" organizations, exclusive events for Akbank Affluent Banking clients where the domestic and global investment environment is assessed and the expectations and questions regarding the markets are addressed, were once again organized in Istanbul and Ankara in 2018. In addition, informational meetings under the name of "Economic Agenda" were conducted for Affluent Banking clients at the New Generation Akbank branches.

Akbank clients who are part of this privileged world enjoyed another year full of art with guided Sabancı Museum exhibition tours, concerts as part of the 28th Akbank Jazz Festival, and instrumental music concerts at Akbank Art Center.

BANCASSURANCE

The Bank delivers insurance and private pension sales and after-sales services to clients, as part of the strong collaboration with Ak Insurance and AvivaSA Pension and Life, both of which rank among the leaders in their respective sectors.

With a strong organizational focus on bancassurance, Akbank positions bancassurance products as a basic financial need of its clients. As a result, Akbank meets customers' banking needs while offering them private pension, life and elementary insurance products they may require under the same umbrella.

Strong presence in bancassurance

Continuing its expansion in bancassurance in 2018, Akbank was preferred by about 2 million active clients for some 4 million private pension, elementary and life insurance products.

In 2018, Akbank continued to play a pioneering role in encouraging its customers to accumulate savings under the private pension system, both as individual private pension customers and via the automatic participation scheme initiated by the government in 2017. AvivaSA Pension and Life maintained its leadership in the private pension market in terms of asset under management while establishing a strong market position in automatic participation during this past operating year, which demonstrates that the strong synergy with Akbank's extensive delivery network began to bear fruit in terms of noteworthy accomplishments.

Akbank maintained its high penetration rates in insurance products linked to loan products, meeting the protection needs of its customers. The Bank also expended efforts to market independent insurance products not linked to loans and deliver these to customers through all channels. Independent insurance products accounted for over 65% of Akbank's premium production in 2018. Thanks to Akbank's continued focus on elementary insurance products, Aksigorta reached a significant premium production level and market share to become one of the top three players in the sector – another major accomplishment in the bancassurance segment in 2018.

RETAIL BANKING

Known for being among the first to adopt innovations in every segment of banking to date, Akbank is also among the pioneering and leader banks in the card payment systems market.

Bancassurance Project
Continuing to grow by generating value for both customers and business partners, Akbank further developed its expertise in bancassurance and overhauled its business model and all of its processes through a customer-focused perspective in 2018. Standing out in the bancassurance segment with its pioneering position and robust partnerships, Akbank continued to implement the innovative applications in 2018 that are the outputs of the Bancassurance Project which the Bank carried out in 2017 in collaboration with a consultancy firm specialized in both domestic and global practices in this area.

Under this project, Akbank conducted studies to transform the current bancassurance model into a more customer-focused, leaner model that includes all the Bank's channels especially digital ones. The objective is to simplify bancassurance products and services according to customer needs, and deliver these under the umbrella of a holistic marketing strategy.

8 million

Akbank boasts 4.9 million cardholder customers, 6.6 million credit cards, 8 million debit cards, and a merchant member network of around 321 thousand businesses as of the end of the year.

In 2019, Akbank will continue to provide the confidence and protection that will reassure its customers at all times with a customer-focused approach under the most convenient terms. The Bank will continue to prioritize customer needs; design lean and transparent processes that will improve customer experience, particularly on digital platforms; and ensure the full integration of the bancassurance processes into the Bank's transformation projects.

PAYMENT SYSTEMS
One of the first entities to adopt the innovations in every segment of banking to date, Akbank also ranks among the pioneering and leader banks in the Card Payment Systems market. Continuing to solidify this presence in 2018, Akbank boasts 4.9 million cardholder customers, 6.6 million credit cards and 8 million debit cards, and a merchant member network of 321 thousand businesses as of year-end.

As a result of the efforts of Akbank Payment System to boost profitability in 2018, credit card issuing volume grew 14% over the previous year while debit card market share reached 9.7% and member merchant issuing volume market share stood at 11.52%.

Axess, Akbank's mass credit card brand, continued with the "fulfill with Axess" slogan while focusing its communication efforts on digital channels. Axess maintained its communication with its customer base using a warm and sincere discourse. Axess helped customers meet their needs thanks to campaigns conducted throughout the year while also gaining the loyalty and acclaim of customers with the rewards it helped customers earn. Axess campaigns, supported via robust communication initiatives and a number of activities all year long, contributed to the brand image and credit card income.

Akbank continued to focus on the Wings Style program also in 2018. As part of the program, the restaurant network offering discounts to Wings credit cards was expanded particularly in Istanbul, Ankara, Izmir, Bodrum and Çeşme. Discount opportunities were created for Wings cardholders and card usage was boosted at these locations. The Bank continued to offer complimentary valet parking for Wings cardholders at affiliated shopping malls.

The innovative product portfolio designed to meet the financing needs of the Bank's customers was enriched in 2018. The "Additional Installment" feature that was added recently provides customers with the option of adding an additional installment to their installment purchases. In addition, the Bank expanded the channels it offers for customer access to financing by also making Cash Advance, Installment Cash Advance, Installment Request, and Deferral Request features on Axess Mobil.

Commercial cards
The share of commercial cards in the bank payment systems profits continued to rise in 2018.

The commercial cards market grew 5.6% in terms of the number of cards while Akbank attained 8.1% growth by this measure in 2018. The number of Akbank commercial cards in circulation jumped from 268 thousand at year-end 2017 to 290 thousand by year-end 2018. The share of commercial cards in total cards issued by Akbank is 4.4%.

Debit cards
The prominence of debit cards particularly in shopping use increased as economic volatility and borrowing costs rose in 2018. The limit conscious shopping card Neo achieved 53% growth in 2018. The share of Neo in all purchases made with Akbank consumer cards topped 11%.

Member merchants
Akbank's member merchant network reached 321 thousand businesses with 426 thousand POS terminals in 2018. Akbank has further strengthened its market position by broadening the Bank's member merchant network via agreements with sector leading companies and running consumer-oriented promotional campaigns. As of year-end 2018, 187 thousand merchant members offer installment and rewards benefits to Axess cardholders.

Akbank continued to expand the contactless POS network in 2018, as the number of merchant members capable of contactless transactions topped 160 thousand with 12% increase. Number of merchant members using Eco Pos tariffs, to allow Akbank merchant members to operate with a fixed monthly fee without incurring any other commissions or fees, reached 60 thousand, while the number of member merchants owning cash register POS devices climbed to 150 thousand.

Axess Mobile
Made available to all cardholders in 2017, Turkey's first mobile app Axess Mobil which generates campaigns exclusively for Akbank's card universe based on spending patterns of customers reached 2.5 million downloads and 280 million views in just one year. Aiming to help customers use the credit card loyalty system easily and effectively, retain existing customers, and increase revenue and card market share, Axess Mobil's campaigns registered 4.5 million participations in 2018, which demonstrates the app's effectiveness in line with these goals.

Axess Mobil enables customers to choose their favorite brands and sectors; then, the app informs them first about the campaigns in the brands and sectors of their choice. According to the spending needs of users, the app also gets to know them better and sends notifications of the most suitable campaigns depending on their spending habits and preferences, any time of the day. Thanks to these innovative features, Axess Mobil offers users a mobile app experience personalized end-to-end.

With Axess Mobil's "District Campaigns" feature, Axess contracted merchants now have the opportunity to organize their own campaigns. Customers can view the most attractive campaigns in their respective locations by way of the app. As a result, the campaign pool offered to Axess Mobil users has grown and diversified, and contracted merchants are able to expand their business by accessing Akbank's vast card client base.

Standing out with its "Campaign Based on Your Mood" feature, Axess Mobil offers its users a variety of lucrative campaigns while enabling them to easily perform their card transactions. Axess Mobil, which allows users to visualize and join all debit and credit card campaigns and track their status in these campaigns, is the best representation of Akbank's mobile vision.

Axess Mobil further enriched the world of campaigns with its partnerships in 2018 while making major strides toward becoming a one-stop shop platform for all needs of more than 7 million card customers.

PRIVATE BANKING AND WEALTH MANAGEMENT

As of year-end 2018, the number of customers who were introduced to robo advisory and wealth management by submitting investment risk profile information through digital channels alone reached 270 thousand while total assets of these customers climbed to TL 40 billion.

Akbank's Private Banking activities and Wealth Management functions began to operate under the Private Banking and Wealth Management Business Unit as of January 2018. Under this new organization offering a professional and comprehensive service, Akbank aims to serve its clients based on their risk profiles with a more holistic approach in partnership with Ak Investment and Ak Asset Management.

21%

Technology-oriented mutual funds comprise 21% of Akbank customers' qualified fund assets.

AKBANK WEALTH MANAGEMENT

The new comprehensive business model and digitization

Akbank Wealth Management rapidly went digital after October 27, 2015 and, aided with new technologies, began offering clients even more freedom in managing investments according to their investment preferences and expectations. In this process, the Bank helped its clients earn above-market returns via the robo advisory system; launched the video chat function to arrange quick meetings between customers and Ak Investment advisors; and lastly, redesigned investment, stock trading, account opening and public offering transactions in the most practical and fastest manner through Mobile Banking services.

As of year-end 2018, the number of customers who were introduced to robo advisory and wealth management by submitting investment risk profile information through digital channels alone reached 270 thousand while total assets of these customers climbed to TL 40 billion.

Akbank Mobile accounted for 17% of all income from investment products within Akbank Wealth Management in the initial months of 2018, while this share reached 30% by the end of the year. As a result, Akbank leveraged its robust technology infrastructure to solidify its pioneering position in the industry by implementing a business model that provides privileged service not just to high net worth clients, but to all customers eager to invest regardless of the magnitude of their assets. The new "Real-Time Stock Market" application for stock trading customers, and exchange rate notifications and automated foreign exchange purchases and sales through Mobile Banking stand out among the technological innovations unveiled by Akbank in 2018 as part of the Bank's efforts to deliver professional investments to a broad base.

Akbank Wealth Management continued to diversify its investment product portfolio through new equity public offerings as well as mutual fund charters and fixed-income issues and managed to boost its market share in every segment of the sector in 2018. After a year dominated by the technology theme in particular, technology-oriented mutual funds comprise 21% of Akbank customers' qualified fund assets as of year-end 2018.

AKBANK PRIVATE BANKING

Integrated wealth management under New Generation Banking

Akbank removes the barriers in front of its customers' access to investment products with Wealth Management while restructuring its Private Banking services according to rapidly-evolving investor expectations and international norms. In addition to developing digital solutions designed with an innovative approach centered on "customer experience," the Bank strives to enrich the diversified experiences created specifically for the areas of interest of customers via strategic partnerships.

Akbank Private Banking branches are also being redesigned in accordance with this approach. The first example of this new design was unveiled at the Bağdat Caddesi Private Banking Branch in 2018. In addition, Akbank developed technology infrastructures on the Bank's digital channels consisting of Internet and Mobile Branches that allow customers to reach investment products, execute contracts without visiting a branch, and perform a wide variety of transactions instantly. Average annual assets of the Bank's mutual funds soared 61% in 2018 thanks to the expansion of Akbank's fund portfolio that enables investment in international markets.

Seeing the service it renders to clients as a whole, Akbank Private Banking designs content and organizations tailored to the various subjects on their agendas and their areas of interest, in addition to providing financial products and services. To this end, the Unit organized conferences on the economy, entrepreneurship, global trends and other related topics as well as partnerships with high-end brands, guided exhibition tours, and exclusive invitations to music festivals and art events as part of social and cultural initiatives in 2018. Furthermore, the Bank also launched the Blog and the Instagram account for "A Journal," a digital lifestyle platform, in 2018. A Journal Blog, a weekly digital publication, offers contemporary content in various aspects of life including art, technology, architecture and lifestyle.

The "Next Generation Program" that was organized at the end of 2015 with the support of Sabancı University is the first of its kind service in Turkey that prepares the next generation for the future. The program is intended to help customers protect their family wealth and values for generations to come and transfer them to their descendants, and to educate high school and college age young people on such subjects as the responsibility that comes with family wealth, diversity of investment products, the concept of risk, the global economy, and philanthropy. The success of this and other similar privileged services rendered by Akbank Private Banking to its clients in the integrated wealth management field is certified by the awards it receives from the world's leading international finance publications. To this end, the Bank received the "Best Private Bank in Turkey" and "Best UHNW Services in Turkey" awards, six times from The Banker including in 2018, 10 times from Euromoney, and twice from Global Finance, in 2015 and 2018.

As part of the "Private Banking Value Proposition Initiative" that it launched in the final months of 2018, Akbank Private Banking aims to design innovative customer experiences that touch on "Positive Banking" and "Social Impact Approaches" concepts that are commonplace in local and international practice, and to increase the overall standard of living of its clients.

Planning to focus on new partnerships and in-house synergistic approaches in the upcoming year, the Bank strives to break another new ground in Turkey with the "Private Banking Academy" that aims to include employees in the digital and cultural change and raise their capabilities to international standards, and to continue to pioneer change in the banking industry.

DIGITAL BANKING

Akbank invests in technology in an attempt to provide customers a user-friendly mobile banking experience where they can perform their transactions within seconds and go on with their lives without interruption.

Technology is directly impacting banking and the lives of bank customers in three basic functions: trust, availability and time cost. Digital banking is changing the day-to-day banking experience in all three functions. Akbank customers carry out a significant share of their daily banking needs through digital channels at a rate that is rising by the day.

Akbank invests in technology in an attempt to provide customers a user-friendly mobile banking experience where they can perform their transactions within seconds and go on with their lives without interruption. The technology, products and services offered by Akbank Direkt make customers' banking transactions practical enough to be completed within seconds and give their precious time back to them. Akbank Direkt's design and development process is carried out in accordance with this vision.

Akbank's innovations in Digital Banking focused on rendering distinctive experiences to customers in 2018. The Bank shapes its designs in accordance with a holistic service approach by observing customer needs.

Uninterrupted online and offline experiences with Direkt Pay
Akbank Digital Banking carried out developments and established partnerships based on customer needs, and rolled out uninterrupted payment processes in e-commerce and in-store purchases in 2018.

The Direkt Pay service that was developed as part of this effort offers an end-to-end digital solution in e-commerce. Bank customers can pay for their purchases either from their accounts, or with credit through instantaneous access to general purpose loans. A holistic channel experience was designed and placed in the service of customers, beginning on the in-store POS device and continuing on the mobile platform.

Akbank: The bank of firsts
The services developed by Digital Banking are inspired by customer habits in the daily life. The popularity of smart phones and chat applications encouraged the development of a banking service using the Chatbot technology, which is based on artificial intelligence that will play an important role in the future of banking.

For the first time in Turkey, Akbank customers performed a money transfer transactions by chatting with Akbank Assistant that is available on the Bank's website. Bank customers are also able to use Akbank Assistant to pay mobile service provider bills. Chatbot hosted nearly 2.5 million chat sessions since its launch in May 2018.

Akbank will continue to invest in the Chatbot technology, increase its transaction diversity, and expand its service area in 2019.

2,5 Million

Chatbot hosted nearly 2.5 million chat sessions since its launch in May 2018.

Thanks to the face recognition technology deployed in the development carried out in 2018, Akbank Direkt Mobile users began to login to the Mobile Banking app by holding the front camera of their phones in front of their faces, without having to type a password, for the first time in Turkey. Akbank became the first bank in the world to procure this service from a company that is among the global pioneers of the face recognition technology. Further, following the launch of the service, the service provider designated Akbank among the companies with fastest customer penetration.

Akbank broke another new ground in Turkey in 2018 by using Direkt Mobile in a public offering process for soliciting bids from customers. 84% of all bids for the EnerjiSA public offering were received through digital channels.

The foreign exchange notification and trade placement functions added to Akbank Direkt Mobile represent another feature in foreign exchange and gold trading that will simplify Bank customers' lives.

Another shopping solution offered to Bank customers as another first in Turkey is a phone store that can be reached through Akbank Direkt. This service enables Bank customers to select their mobile devices from an online store that they can reach through Akbank Direkt Mobile, complete the process on the mobile channel, and make the payment in installments.

In 2018, Akbank won a Global-level award in one category, an EMEA-level award in eight categories, and a Turkey-level award in nine categories, for a total of 18 awards at "Smarties Awards" that is organized each year at country and regional level by the MMA (Mobile Marketing Association), a leading institution in the global development of mobile marketing.

Direkt Loan
As of year-end 2018, the share of the Direkt Loan product in Akbank's general purpose loans topped 70%. After the perfection of the borrowing experience during the year, Akbank now originates three out of every four general purpose loans through the Direkt channels.

The Bank enriches the lending process by making personalized, real-time offers to its customers. Akbank aims to increase the borrowing ratios of its target clientele as a result of these efforts.

"Loan Renewal," one of the Bank's new applications, gives customers the opportunity to consolidate all of their outstanding loans under a single loan in order to track them more easily.

Akbank also makes available borrowing opportunities to its customers through its Direkt Pay partnerships.

Needs of member merchant businesses prioritized
For the first time in Turkey, the Bank allowed all businesses, whether they are Akbank customers or not, to apply for a POS device on the Akbank website at the end of 2017. In 2018, this service was expanded to also cover the Internet and Mobile Branches. In addition, all corporate clients outside of sole proprietorships are eligible for this service as of year-end 2018.

The POS reports service, provided to the Bank's corporate clients on the internet to offer information on sales and hints for increasing sales, was migrated to the mobile channel due to changing channel use habits. The new upgrades allow corporate clients to reach POS reports more easily. In addition to boosting their sales, the Bank also developed various solutions to address corporate clients' cash needs. After the upgrade, the fund unblocking transaction that allows Akbank member merchants operating under a blocked funds scheme to transfer their POS revenues to their accounts instantaneously to meet their cash needs more easily was also made available on Akbank Direkt Mobile.

Also accepting commercial card applications from non-Akbank customers
Akbank customers are able to apply for commercial credit cards on akbank.com and through Direkt Channels. After the upgrades in 2018, sole proprietorships that are not Akbank customers now can also apply for the Axess Business credit card on www.akbank.com and through Akbank Direkt channels. As part of the credit card acquisition process, customers are able to see the result of their applications instantaneously and have their cards delivered to their addresses via courier mail.

Digital Customer Experience
Akbank employs a customer experience management model in all Digital Banking services and products, at every step from design to roll out, in an effort to maintain customer focus. As part of this model, customers are included in every design process through contemporary and proves methods such as ethnographic research, consumer neuroscience, surveys, in-depth one on one interviews, and usability testing.

ATM
Akbank has one of the most extensive networks in Turkey, with nearly 4,900 ATMs deployed on the principle of expansive geographic reach and ease of access. In 2018, the Bank maintained its strategy of positioning its ATM network as a cash transactions center easily accessible by everyone, whether they are Akbank customers or not. ATMs host nearly 210 million transactions annually while nine out of every 10 cash transactions are performed via ATMs. As a way to enable customers to access cash even when they are not carrying their cards on them, Akbank unveiled the cash withdrawal with QR Code service within the Akbank Direkt Mobile app.

DIGITAL BANKING

In 2018, Akbank maintained its strategy of positioning its ATM network as a cash transactions center easily accessible by everyone, whether they are Akbank customers or not. ATMs host nearly 210 million transactions annually while nine out of every 10 cash transactions are performed via ATMs.

CALL CENTER DEPARTMENT

With its customer centric service model, Akbank aims to provide unique experiences to its customers at every point of contact, the Call Center continued to lead the sector in 2018 with its well-educated, experienced, highly-qualified, solution-oriented staff; rich diversity of transactions; superior technological capabilities; creative and results-oriented perspective.

In 2018, Akbank Call Center recorded nearly 90 million customer contacts. It continued to make a difference in terms of fast and easy access with over 1 thousand employees.

100%

Increasing the performance of its Call Steering system by the day, the Bank managed to guide customers to the correct service step at nearly 100% accuracy in 2018.

Employing state-of-the-art technologies to deliver an unmatched customer experience, it finalizes all calls in a way that customers do not feel the need to make a second call. Presenting customers with dynamically generated offers suited to their needs thanks to a robust CRM infrastructure, the Bank boosts its selling efficiency and market share in the sales of insurance, credit cards, credit card loans and general purpose loans day by day.

The Call Steering system analyzes customer speech in the interactive response system and guides them to the right destination. As such, customers are connected to the right customer representative in their first call. Increasing the performance of its Call Steering system by the day, the Bank managed to guide customers to the correct service step at nearly 100% accuracy in 2018.

The Call Center serves customer not only through audio calls but also via Facebook, Twitter, chat and video chats. Akbank Call Center provides specialized services to more than 100 thousand customers who prefer remote service delivery. These services largely focus on Retail Banking, Affluent Banking, and relationship and wealth management for SME segment customers. Akbank Call Center will continue to operate with its Digital Banking perspective, with the goal of increasing its sales focus, enhancing productivity through technological innovations and process improvements, and capturing a larger share of profit-generating business through its specialized services.

INNOVATION CENTER

Akbank Innovation Center "Akbank LAB" was established in late 2016 to develop innovative projects to meet the needs of business units, and to ensure that globally recognized financial solutions are integrated into the Bank's processes so as to achieve the goal of perfect customer experience. With this revamped structure, the Bank started to prepare for the technology of the future from today, while also taking steps to ensure that innovation becomes an integral part of the Bank's culture.

Akbank LAB has a central team composed of professionals with experience in consulting, finance, IT and marketing. More than 100 Bank employees took part in the innovation processes that are open to the entire Bank; Akbank LAB is in charge of coordinating these processes. Business units generate ideas in accordance with the focus areas and goals determined by the Bank. These ideas are then turned into projects to deliver value-added financial services. Ideas found to be successful following various assessments go through the PoC (proof of concept) phase. At this stage, viability of ideas are tested while their gains for the Bank and its customers are assessed. The Bank has over 100 FinTech companies in Turkey and abroad that serve as its solution partners.

Innovation-focused visionary projects

Akbank launched high value-added, pioneering projects for the sector, such as login to Akbank Direkt Mobile with face-recognition technology, money transfer and cell phone bill payment with Chatbot, Robotic Process Automation, and international money transfer through collaboration with Ripple and Blokchain infrastructure in 2018 under the coordination of Akbank LAB.

Akbank LAB also organizes various events and sponsors major domestic activities in an effort to support innovation internally and externally and to come up with new ideas. With a view toward fostering in-house entrepreneurship, Akbank organizes the "Challenge Yourself" Innovation Contest annually for the Bank employees. Akbank LAB nourishes an innovation culture within the Bank through such efforts while cooperating closely with the Strategy Management, Human Resources and Corporate Communications Departments.

Under Akbank LAB's coordination, the Bank will continue to execute innovation processes, and deploy technologies that steer not just finance, but the world such as machine learning, Blockchain, artificial intelligence and big data, and develop new products in order to render excellent customer experience in 2019.

ANALYTICS DEPARTMENT

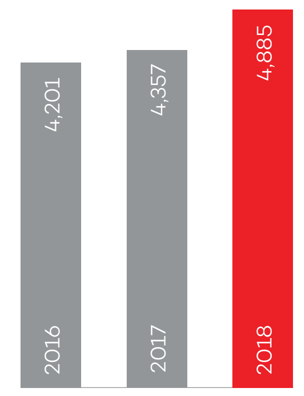
The Analytics Department is focused on producing next generation analytics solutions in an attempt to translate generated data into value-added in business results in a data-intensive world centered on evolving and changing digital technologies.

As part of its analytics initiatives, the Department focused its efforts on identification of customer needs, management of the customer portfolio by steering marketing efforts in this direction, effective management of the sales force, and corporate strategies-oriented advanced analytics business solutions.

Akbank is now better analyzing the needs of customers from every scale

The systems infrastructure work on reinforcing existing analytics infrastructures with next generation machine learning technologies was completed and began to be used within the Bank. Bank data are modeled using next generation machine learning techniques with high data processing capacity and customer needs regarding banking products and services are identified. The "Financial Intelligence" application, aimed at optimal portfolio management based on customer analytics models-driven customer needs and sales force targets, was placed in service at Akbank branches and Direkt channels.

NUMBER OF AKBANK ATMS



In the channels where customers interact with Akbank, the Bank continued to employ a real-time marketing system to assess the customers' needs in real time and provide the best value offer.

As part of corporate analytics applications, the Department carried out activities related to analytics applications for the internal customers and increasing the efficiency of the Bank's operational processes.

Akbank's analytics initiatives will continue in 2019 in accordance with a digital and real time banking vision, with particular focus on customer experience enhancement, analytic marketing, smart sales and service infrastructures, and income optimization. The Bank will continue to cooperate with FinTechs in assessing new technologies in advanced analytics with a view toward acquiring next generation analytics solutions.

TREASURY

Effective solutions offered by the Trading Department with a proactive approach have made Akbank the first bank to come to mind among international investors who want to transact in Turkey.

In 2018, the Liquidity Management Department met Akbank's statutory reserve requirements in TL and foreign currency, by using TL and foreign exchange markets effectively, in line with the Central Bank's monetary policy practices.

Focused on customer satisfaction and profitability, Akbank Treasury diversified its organizational structure in 2018. The Treasury was restructured into the Trading, Liquidity Management, Balance Sheet Management, Asset-Liability Management, Treasury Marketing and Economic Research Departments. Akbank Treasury Business Unit continues to offer efficient solutions and make a difference in the industry with its service quality. With its effective pricing policies, the Treasury Business Unit will focus on maintaining stability during the rebalancing process of the economy.

TRADING

With its high transaction volume, Akbank Trading Department remains one of the most important players in the Turkish money markets.

In addition to supporting the financial stability of Turkey in the bonds and bills market, the Interest Trading Group is the leader in the swap market and pioneers the deepening of this market.

The Derivatives Trading Group, which is a market maker in the OTC derivative markets and Borsa Istanbul, provides effective pricing for its customers and foreign banks in consideration of market developments, and manages the resulting derivatives positions. With a customer-oriented approach, the Group develops different derivative products to meet the diversified needs of customers.

The FX Trading Group serves as a market maker for both intra-Bank and non-Bank customers in all TL-FX currency pairs that can be traded within Akbank. The Group also executes physical and financial gold trades on Istanbul Gold Exchange and in overseas over-the-counter markets.

Effective solutions offered by the Trading Department with a proactive approach have made Akbank the first bank to come to mind among international investors who want to transact in Turkey.

BALANCE SHEET MANAGEMENT AND ASSET-LIABILITY MANAGEMENT

The Balance Sheet Management Department aims to manage the Bank's balance sheet and income statement in accordance with the principles of risk management. It performs interest and currency swap transactions in line with the Bank's need for resource management, and in order to manage interest rate risk effectively.

The Asset-Liability Management Department makes fund transfer pricing for the Bank's internal business units.

Balance Sheet Management and Asset-Liability Management help maintain Akbank's flexible balance sheet composition in line with the principle of sustainable profitability, thanks to rigorous pricing and effective interest rate risk management.

LIQUIDITY MANAGEMENT

Akbank Liquidity Management Department manages Akbank's short term foreign currency and Turkish lira liquidity, by taking into consideration the market conditions and effectively utilizing all available financial instruments. While managing the Bank's liquidity, the Department borrows or makes placements in money markets in foreign currency and Turkish lira, and uses instruments such as TL repo and reverse repo. The Liquidity Management Department maintains a presence in the BIST Repo-Reverse Repo Market and OTC and organized money markets.

In 2018, the Department acted in parallel with the CBRT's monetary policies, making effective use of TL and foreign currency markets, and fulfilling the Bank's TL and foreign currency denominated reserve requirements. The Liquidity Management Department was engaged in the OTC and organized markets dynamically, in response to market conditions.

TREASURY MARKETING

The Treasury Marketing Department serves customers across all segments with an extensive range of products – including spot foreign exchange, forward foreign exchange, gold, foreign exchange/gold/interest rate options, foreign exchange and interest rate swaps, government bonds and bills, bank bonds, Eurobonds, repo, deposits and loans – at competitive prices. The Department informs clients about the developments and expectations in their financial markets and offers products tailored to the risk management needs and business conduct of clients.

ECONOMIC RESEARCH

The Economic Research Department is positioned within Akbank Treasury Business Unit. The Department closely monitors the global and domestic economic environment and market developments, ensures fast and effective information flow to all units of the Bank, and presents an opinion on their potential consequences. Thanks to such efforts, Akbank employees are kept well-informed and properly equipped with a constant flow of up-to-date information about developments that steer the economy and the markets. As a result, the Bank's staff is well-prepared to address customer questions.

In addition, the Economic Research Department prepares macroeconomic forecasts for the Bank's business units and contributes to determining the Bank's strategy and setting the budget. At the same time, the Department informs the Board of Directors, foreign investors and clients about the current economic situation and market data.

CREDIT UNDERWRITING

In 2018, Akbank's total loans were composed of 39% corporate loans, 41% SME and commercial loans, and 20% consumer loans and credit cards.

Akbank Credit Underwriting Business Unit evaluates the Bank's loan offers in line with its mission, vision and objectives. The Unit plays an active role in the Bank's healthy growth by ensuring the most accurate operation of intelligence, risk analysis, risk monitoring and scoring processes for loans and credit cards.

Credit allocation processes that boost Akbank's asset quality
In 2018, the total support extended to the real sector through SME, commercial and corporate loans amounted to TL 160 billion.

Despite the volatility in global and domestic markets, the non-performing loan (NPL) ratio, another indicator of healthy growth, came in at 3.8%.

Thanks to the technological infrastructure development projects implemented in 2018, the Corporate/Commercial Loan Allocation Application was redesigned using the latest technology platforms. All end-to-end processes were incorporated into the system. The relaunch of the app resulted in much faster process execution.

Convening twice a week, the Credit Committee provides quick responses to customer requests and demands.

Although significant macroeconomic deterioration was observed after the surge in foreign exchange rates during summer 2018, a downtrend appeared in inflation and interest rates in the last part of the year. In 2018, the Turkish banking sector completed a significant portion of its restructuring efforts in cooperation and coordination with all its stakeholders.

In 2019, which is expected to be a better year in terms of credit growth, Akbank aims to boost credit support to companies with foreign exchange earning operations and high export potential.

TL 160 Billion

In 2018, the total support extended to the real sector through SME, commercial and corporate loans amounted to TL 160 billion.

SUPPORT SERVICES

In recognition of the success of its New Generation branch model, the Bank won the Silver Stevie in the "Best Financial Services Product and Service" category.

AKBANK OPERATION CENTER
With a focus on creating value for customers, stakeholders and employees, Akbank Information Technologies shapes its strategic objectives around digital and analytical banking, safe and uninterrupted service, and agile production.

Akbank Banking Center was among the Bank's most prominent recent contributions to the country's future. During the year, work continued on Akbank Data and Life Center, whose foundations were laid within Akbank Banking Center in fourth quarter 2017. Once the new facility is complete and becomes operational, Akbank Data and Life Center will be the heart of all Akbank operations.

The environmentally friendly Data Center will have a total enclosed area of 32 thousand m^2. The Data Center, which will have a 5 thousand m^2 IT systems hall, is built to provide uninterrupted service even during a magnitude 9 earthquake event. The Data Center is designed with enough generator capacity to be unaffected by energy cuts for up to one month.

The Life Center, which will serve 3 thousand Akbank employees across an area of 6,700 m^2, features:

- 950 m^2-lounge and a conference hall with 450-person capacity,
- 570 m^2 fitness and pilates area,
- 380 m^2 market and 750 m^2 restaurant area,
- 11,700 m^2 underground car park with a capacity of 350 vehicles,
- 34 thousand m^2 of landscaping, cycling and walking paths,
- Cafeteria, basketball court and tennis court, among other amenities.

Activities in 2018
In 2018, Akbank Operations Center significantly contributed to the Bank's goals of delivering a better customer experience and achieving excellence in operations, by supporting the Bank's leaner, digital and paperless way of doing business.

Business excellence and maximum productivity with more innovative, lean and fast processes
As a bank that expands every year, Akbank wants to render this growth more efficient and sustainable. The Bank aims to accomplish this goal by enhancing the service model in its branch and digital channels with a focus on customer and employee experience as well as productivity and digitization.

As part of the transformation which commenced 2016 with the vision of New Generation Akbank, the Bank has implemented more innovative, leaner, mobile and paperless experiences across the organization. With this approach, Akbank has bolstered the sales and service model at the branch and digital channels. End-to-end experience design and development efforts around the vision of Next Generation Akbank will continue in 2019 to deliver a better employee and customer experience.

In recognition of its New Generation branch model, the Bank won the Silver Stevie in the "Best Financial Services Product and Service" category.

32 thousand m^2

The environmentally friendly data center will have a total closed area of 32 thousand m^2.

SUPPORT SERVICES

Akbank is once again an industry pioneer with its innovative Design Studio, established to ensure integrity of design in all its products and services.

To reduce employee workload and help the staff focus on value added functions while boosting productivity, Akbank started work on robotic process automation (RPA). Under this effort, within the framework of a certain rule, repetitive transactions started being performed by 24/7 virtual robot software, to help the Bank move to a higher level of operational excellence.

Under the "Improvements for You" program, which launched in 2012, the Bank has seized new improvement opportunities in over 1,800 business processes. In 2018, Akbank also implemented nearly 150 improvements by capitalizing on new opportunities in digitalization, employee and customer satisfaction and efficiency.

241 Thousand Clients

In 2018, customer experience at all points of contact at Akbank were monitored on a daily basis and feedback was collected from 241 thousand customers.

CUSTOMER EXPERIENCE AND SERVICE DESIGN DEPARTMENT

Continuous improvements in customer satisfaction thanks to fast, high quality service

The Bank regularly measures the service speed and quality of Akbank Operations Center via service level agreement (SLA)s. Currently, 260 performance indicators are measured via 81 service contracts. Measurement results are shared transparently with the relevant teams. The results are used to plan training and development activities, identify areas open to development, and draft action plans for these areas. In 2018, 9% of service contracts were revised in line with customers' changing expectations, resulting to quality level increases.

Customer Experience Management Platform

In 2018, customer experience at all points of contact at Akbank was monitored on a daily basis. Feedback was collected from 241 thousand customers. Improvements continued on the Customer Experience Platform, which launched last year for more complete and effective customer experience management. Thanks to this platform, Bank employees are continuously monitored in terms of their "NPS" (recommendation score), which is an international metric in the field of customer experience. Proactive measures were designated in response to NPS results and certain rules. Efforts were made to improve customer experience based on these results.

The Bank aims to deliver comprehensible, simple and user-friendly experience at every point of contact with Akbank customers and personnel, which is an integral part of its customer and employee experience. To this end, Akbank improves and redesigns all applications on the basis of user-experience methodology.

The Bank executes its digital transformation with the vision of future banking. To ensure design integrity in all the products and services that it delivers, Akbank established a "Design Studio" within the Bank. This effort was conducted in joint cooperation with one of the world's leading design agencies in marketing, technology, digital transformation and innovation. As the first Turkish bank to pioneer this model, Akbank sees design as a strategic value, and a force that can have a positive impact on all aspects of the enterprise – from brand value and customer satisfaction to profitability.

Progress in customer satisfaction – as well as complaints, requests and customer experience-oriented projects submitted to the Bank through various channels – are monitored periodically by Customer Experience Committees, with the participation of senior management. Since 2014, Akbank has implemented a number of improvements thanks to the Proactive Complaint Prevention System designed to prevent repetition of customer complaints.

INFORMATION TECHNOLOGIES DEPARTMENT

In 2018, Akbank conducted numerous projects centered around the data and life center investment to move the Bank forward into the future. More than 400 projects and over 6,700 minor development requests were completed during the reporting year.

The Bank primarily redefined the role and format of the branches and implemented a new generation branch model. With the vision of becoming the bank that moves Turkey into the future, Akbank designed a new business model that delivers a lean, fast and practical banking experience. The result is a model that fully integrates the digital and physical world by using advanced technology in the best possible way.

Under the most comprehensive and pioneering transformation in the industry, Akbank designed all sales-oriented banking processes end-to-end from scratch, with the principles of leanness, speed and practicality. After carefully evaluating new technologies and devices in-depth, the Bank selected and developed those solutions that best complement the new business model. The new arrangements introduced through agile methods by multidisciplinary dynamic teams have been supported by the world's leading customer experience and design consultants. In Next Generation branches, Akbank has introduced practices that create value for both customers and employees:

- Branch employees use tablet PCs and provide more practical services thanks to new applications they can access via these tablets. The tablets enable branch staff to help customers quickly at any location within the branch, not only at their desks.
- Instead of affixing their signature at the end of a transaction, customers can now easily complete the process without paper by indicating their approval via customer tablets at branch locations or directly via the application on their mobile phones.
- When necessary, customers can participate in video conferences via tablet PCs or giant portal screens with headquarters advisors on issues that require expertise. With these options, customers can access the most advanced banking expertise and advisory immediately.
- Customers can complete a large proportion of counter transactions with the help of the "Gişe Ekstra (Extra Counter)" devices placed inside branch locations, without having to wait in a queue, either by themselves or with the help of branch staff. Customers can also deposit or withdraw large sums of money at the Extra Counters.
- Customers are offered free wi-fi service.

In 2018, Akbank continued its leadership in offering innovative and strategic products to customers.

- As part of its digital banking strategy, which prioritizes the mobile channel, the Bank realized a first in Turkey. To customers who enjoy taking "selfies," Akbank Direkt now offers the option to log in via facial recognition selfie. Since launching this innovation in mid-April, 3.6% of customers have chosen to log in to the Mobile Banking application via selfie.

In 2018, with the goal of becoming the mobile bank of choice in both the retail and SME segments:

- Real person commercial customers can now make digital unsecured commercial loan applications via Akbank Mobile,
- The General Loan Agreement can be signed online to obtain loans,
- Real person commercial customers can apply for the Business Credit Card via the Mobile and Internet channels.

Efforts also continued to develop new income-generating practices that enhance the performance of the Akbank headquarters units and boost efficiency to business operations.

Foremost among these projects include:

- Approvals of commercial loan transactions have gone mobile. With this effort, managers can now approve loan applications via their mobile devices and take action as needed.
- The Bank revamped the Proactive Solution System during the year. The Proactive Solution System-Customer Complaint Management immediately communicates to the relevant units any customer complaint about Bank functions and any issue that requires intervention, and helps monitor any actions taken. The system upgrade included reference architecture and elimination of various bottlenecks within the application.
- A foreign currency trading alarm infrastructure was established. The Mobile Banking app was upgraded so that when a customer who has placed an order via Akbank Direkt channels falls below or goes above the foreign currency sum indicated, s/he is notified via the relevant channel and given the option to buy or sell.

SUPPORT SERVICES

Akbank Information Technologies adopted a value-focused operation methodology to provide better quality and faster services to its end-customers, having completed its agile transformation.

- As part of analytical sales efforts, the Bank launched the “Show on Map” feature. Thanks to the application, which functions in integration with the branch, users can visualize customers on a map, based on their location and address. When users click on the summary information presented on the map, they can access the customer profile page and detailed info. Users are given the option to change their location on the map, and visualize all customers by zooming in or out.
- A team that will work under the Headquarters Private Banking Department were provided with a Private Banking Product Kit, which they can use via their iPad when out of office. Customer acquisition functionality, including sales of basic banking products, was improved with an application upgrade.

Akbank Information Technologies has adopted a value-focused operating method to provide better quality and faster services to its end customers. The Department has completed its agile transformation. Currently, some 140 agile teams are actively working, embracing continuous improvement and striving to boost productivity.

In 2019, Akbank will closely monitor new technologies, and employ appropriate technologies and solutions. Digitalization of products and services will continue in the coming year. Digitalized products and services will be supported by intelligent methods, such as artificial intelligence and advanced analytics. With advanced data processing and insight capabilities, we will strive to create the most value for our customers.

INFORMATION SECURITY

In all its business operations and processes, Akbank is committed to protecting the confidentiality of customer and employee data. To this end, Akbank invests in information risk management, in terms of both technology and staffing.

Efforts conducted in the context of people, process and technology follow below.

1-People

The Information Risk Management Unit was established to ensure that information risk at the Bank is audited directly by the Board of Directors. The Unit reports directly to the Board of Directors. Akbank is one of few companies worldwide to implement this model, and the only company to do so in the Turkish banking industry. This model provides a holistic approach to information risk, by separating information risks from information technology risks. The Information Risk Management Unit was restructured to better achieve these objectives and to support a self-development culture strategy. The Unit’s staff is actively encouraged to participate in both national and international training programs.

Efforts were expended to ensure that employees take precautions to guard against cybercrime and that the Bank is safe from cyber threats. New products and new training programs on this topic were also provided to the Bank’s staff.

2-Process

To increase cyber security, the Bank gave all its technology and banking processes a more information-focused format. Investments in new technologies boosted the diversity of information risk processes, while also ensuring the development of IT structures.

3-Technology

Akbank is an industry pioneer with its investments in innovative technologies that enhance in-house cyber security. The Bank places great emphasis on developing technologies that prevent information risk. Its efforts in this key area are conducted by well-experienced professionals.

Business Intelligence Applications – Argus

Thanks to Akbank’s management reporting system ARGUS, the Bank’s management reports are provided for users in a productive, flexible, effective, simple and fast way.

A total of 7 thousand users at headquarters and in the field can meet all kinds of informational needs within their authority, in an easily accessible, reliable, robust, fast and practical manner. Report production and information management processes are continuously revised to provide significant productivity increases.

To meet the information needs of users, Akbank continued efforts to expand the analyses and data encompassed in the system. The Bank provided senior management the ability to access reports via tablet computers and smart phones.

Profitability System

The Bank effectively uses the results of the Profitability System – developed to enable multidimensional analysis of Akbank’s profitability – to devise managerial and marketing strategies; hone the services provided at branch locations; and aid in success assessments as key performance criteria.

As part of the Profitability System, the Bank periodically evaluates its profitability on a daily and monthly basis in terms of the following criteria:

- Customer profitability,
- Customer Relationship Manager (CRM) profitability,
- Branch profitability,
- Segment profitability,
- Business unit profitability,
- Product profitability.

Cost and Investment Management

As part of its various strategic cost and investment management initiatives, Akbank performed analyses and modeling efforts to bolster the Bank’s sector leadership in terms of efficiency. As a result, the Bank recorded organization-wide increases in efficiency. Significant efficiency was also achieved via work groups across the Bank to ensure sustainable cost savings.

Budget

Akbank has an integrated, efficient and dynamic budgeting process that operates at the business unit, region, branch and CRM level.

The triennial strategic planning survey is reviewed each year alongside the budget. The Bank’s medium and long-term objectives and action plans are determined during this review. Akbank’s performance is then monitored via monthly estimates generated throughout the year and by comparative analyses of periodic financial and operational realizations with the budget. In accordance with changes in the economic outlook, the budget is revised if and when necessary.

STRATEGY AND HUMAN RESOURCES

Akbank aims to differentiate from the competition with its focus on optimal balance sheet management, effective risk management, and high quality cash generation.

STRATEGIC MANAGEMENT

The Strategic Management Department reports directly to the Executive Vice President in charge of the Human Resources and Strategy Business Unit. The Department is responsible for setting strategic priorities in accordance with the Bank's medium- and long-term vision, and managing Akbank's transformation program and linked strategic projects toward these priorities. The Strategic Management Department works closely with the Bank's senior management and related business units.

In 2018, the Strategic Management Department conducted the process of setting the Bank's strategic priorities and aspirational targets as well as developing the roadmap to achieve these targets. One of the strategic focus areas determined during this effort was Informed Banking. With this focus area, Akbank aims to differentiate from the competition on the basis of optimal balance sheet management, effective risk management, and high quality cash generation. The Strategic Management Department plans programs and projects that will help achieve the set targets, while keeping focus on forward-looking investments to move the Bank forward quickly.

The New Generation Akbank transformation program launched in 2016 in line with the Strategic Management Department's internal consulting and project management functions. We continue working to integrate rapidly developing technologies with our banking products and services, and rolling out these innovations to our customers. As part of the branch transformation efforts that shape the banking of the future, Akbank has transformed a total of 228 branch locations to date. Two flagship branches were opened, three branch locations completed a full architectural transformation, and 223 branches concluded a partial transformation, as of end-2018.

To help branches function in a more innovative, lean and rapid manner, Akbank continues work in phases on delivering a better employee and customer experience with new mobile devices designed for staff and customer use. Innovative business processes that are completed are deployed across the branch network. Personnel in the transformed branches can deliver services with tablet PCs on the branch premises or at other locations, as preferred by the customer. This mode of operation is enriched with an analytical sales model. With the help of a smart list of targets and customer needs, the right product can be delivered to the right customer. In addition, all sales activities and performance can be monitored via a single screen.

In 2018, the Strategic Management Department continued efforts to rapidly adapt emerging technologies to its banking products and services across different channels and launch these innovations for customers. The Department has kept close watch on fast-developing technologies such as artificial intelligence, machine learning and robotic process automation. New technology application areas are regularly reviewed and potential opportunities for use within Akbank are thoroughly evaluated. The Department gives particular support to projects that boost the Bank's data-based competencies by extending these practices.

The Strategic Management Department also ensures that initiatives are implemented in accordance with corporate strategies, through its end-to-end project management competence.

HUMAN RESOURCES

Since its founding, Akbank has achieved great success with its top quality human capital. As the business world and human resources are rapidly transforming today, Akbank designs all its business practices around pioneering this transformation. While preparing for the future, Akbank embraces the belief that development-oriented, innovative and adaptable human capital is its most valuable asset and strategic partner. All human resources practices at the Bank are centered on the employee experience.

The Human Resources Department aims to recruit innovative and visionary young talent in line with the Bank's strategies, values and vision. The Department is also charged with placing recruits in areas where they will add the most value for the organization and for themselves, in addition to supporting and sustaining Akbank employees' continuous development.

When managing its human capital, the architect of the Bank's past accomplishments as well as the pillar of its future achievements, Akbank strives to uphold the core principles of equal opportunity, fair assessment and transparency.

The main pillars of the Human Resources roadmap include:

- Continuous development of work modes and roles in parallel with the business expectations/ requirements of the future,
- Transformation of employees' learning experience into a personal development journey,
- Proactive and participatory development planning that upholds a multi-faceted employee experience,
- Investment in Akbank and its staff with top quality programs that prepare them for the future,
- Target- and competency-based, transparent and fair performance management,
- A talent management program supported by a comprehensive, personalized development plan,
- An encouraging, risk-focused rewarding mechanism that fosters superior performance,
- Supporting all efforts with data-based initiatives,
- A cultural transformation program that supports and complements digital transformation,
- Continuously improving organizational efficiency with a focus on employee productivity,
- Effective in-house and external communication based on corporate values and a shared culture,
- Architectural transformation toward the work environment of the future.

Fostering the banking culture of the future

Today, Akbank is a 70-year-old bank with a workforce that is 70% composed of young people from Generation Y and with an average age of 35. As the world and technology rapidly evolve and change, Bank's human resources management approach defines future needs starting from today and prepares itself for the future. With human resources practices that promote intergenerational communication, innovation and creativity, the Bank fosters a culture of mutual learning and positions its human resources as drivers of transformation.

Akbank is keenly aware that building the bank of the future requires a team of individuals who work with passion, freely share their experiences with one another, embrace collaboration and open communication, and uphold creativity. Akbank creates value with business practices that support adaptability. The Bank understands that one-sided employee specialization is not sufficient. Adaptability is key to effectively developing human resources in many different directions and keeping pace with the times.

Akbank's mission is to create a reliable, people-focused, lean, dynamic and innovative bank – one that pioneers innovation in the financial sector, which is undergoing rapid transformation due to fast-developing technologies – and build new achievements on past ones. Akbank leads the way in adapting new trends to its human capital with analytical work in many different areas. The Bank is also a leader in implementing advanced technology practices to support its human resources. Advanced human resources analytics are used in a wide variety of areas at the Bank. These include determining the most appropriate training program for individual Akbank employees, and converting employee feedback, which is data in a verbal form, into mathematically meaningful information that can contribute to employee satisfaction.

Effective career management

By providing effective career management to employees, the Human Resources Department serves as a solution partner in helping the Bank to achieve its targets. Akbank focuses on positioning the current workforce in the most efficient manner, placing the right employee in the right post, and managing mid- to long-term career plans in the most optimal way that advances both the Bank and employees. To ensure the Bank's sustainability, Akbank monitors the performance of individual employees. The Bank gives support to staff members to participate in relevant training and development programs in areas that require development.

For the future continuity of the organization, the Bank evaluates the staff's experience, competencies and technical equipment to produce backup plans for various positions. Training and development programs are implemented to ensure that personnel are ready to perform effectively in prospective positions. Employees who pass the specified career paths with success and complete their development training are placed in different positions. According to the new organizational structure formed in response to the Bank's changing needs, employee career paths are constantly reviewed and revised pursuant to strategic targets.

Career paths at the Bank are clearly defined for each task. Each Akbank employee who develops himself/ herself can make horizontal or vertical career moves at the Bank, where career paths are laid out in a transparent manner.

In 2018, Human Resources initiated the project Akbank Employees' Trace in order to manage human resources processes more effectively and analytically. With this effort, which is planned to be developed further in 2019, the Bank will start taking more personalized, specific measures for every staff member.

STRATEGY AND HUMAN RESOURCES

While preparing for the future, Akbank embraces the belief that development-oriented, innovative and adaptable human capital is the Bank's most valuable asset and strategic partner.

Employee satisfaction and employee engagement
Akbank sees effective communication as one of its most important tools to achieve success. To this end, the Bank regularly conducts Employee Loyalty Surveys across the organization to make personnel feel that they are valued, to identify their strengths and weaknesses, and to translate the staff's opinions and suggestions into corporate success. In addition, employee pulse questionnaires are given to extend dialogue with the staff into a new channel, ensure continuity of communication, and receive employee feedback. The survey is conducted by an independent research firm in a manner that ensures confidentiality. Evaluations are analyzed by the Human Resources Department. Improvement and development actions are planned according to the findings.

Individual career interviews are conducted with about 5 thousand Akbank personnel each year. A large number of workshops are held with employees to evaluate human resources practices, with all feedback handled systematically. Projects to improve employee experience are designed on the basis of such feedback.

70%

Today, Akbank is a 70-year-old bank with a workforce that is 70% composed of young people from Generation Y and with an average age of 35.

Well aware of its importance for high corporate performance, Akbank is committed to enhancing employee engagement. The Bank boosts its investments in this key area day by day, in due consideration of staff sentiment, thoughts, expectations, priorities and criticisms pertaining to human resources policies and management practices.

Efficient performance management
Akbank accomplishes its corporate goals by growing alongside its highly-competent and skilled employees who make Akbank the success it is today.

The Bank's performance evaluation system allows Bank personnel to observe their contribution to the organization's success and encourages open communication among employees. The system includes targets set for each individual in accordance with the organization's common targets. Subsequently, employees take action toward these targets. The efficiency of the performance system depends on its transparency, simplicity and measurability. Performance management is conducted with the goal of minimizing risks. The Performance Management System provides periodic and systematic input to the Bank's remuneration, reward, career and training schemes.

The Bank supports the performance of its employees with new applications and advanced systems that will make their professional lives easier and boost their productivity. We designed a new Performance System in 2017 and started pilot work in 2018. The new system is designed to encourage employee participation and enable interactive sharing of views with regards to targets. With an application where performance monitoring, evaluation and bonus processes are managed on a single, innovative platform, the system also offers all the flexibility of the mobile channel. The new Performance System is scheduled to become operational in 2019.

Akbank Academy
Akbank Academy closely monitors training and development trends that will effectively and swiftly respond to the changing needs of the industry. With this approach, the Academy aims to cultivate the best employees in the sector and transform trainings into an investment instrument. Akbank Academy's projects that make a difference in the industry are shared with participants at various domestic and overseas events.

Akbank focuses on the development areas of employees and provides them with optimized and easily accessible trainings personalized with analytical training. In addition, the trainings are delivered via new generation methods. The Bank encourages staff members to attend summits, conferences and seminars, both in Turkey and abroad, that will allow them to keep track of the latest industry and global developments.

New, advanced technologies are increasingly important in today's world. Akbank must invest in these emerging technologies and also properly train the employees who will use technology-based innovations in these areas. To translate these emerging technologies into the workplace and foster a shared discourse, the Bank launched the development program entitled "We are Ready for the Future." Under this initiative, the Bank plans to specialize in key areas. These include producing meaningful results from big data, mastering artificial intelligence and machine learning applications, and applying the design-oriented thinking methodology, which places the customer at the center of product and service delivery.

Covering art to technology, innovation to psychology, Akbank Employee Meetings are held to capitalize on the dynamics of different disciplines and attain a multidisciplinary approach across the organization. The meetings feature events such as seminars, workshops and talks with experts. The Bank organized 30 such events in 2018.

Akbank Academy's training and development activities for talent management and leadership continue to grow. All Akbank employees are required to join the Talent Management process. The 12 thousand Bank personnel who complete the Individual Development Plan each year are offered different development sources and recommendations according to the competencies they prioritize. In 2018, the Bank assigned 25% of Akbank Academy's budget to talent and leadership development. Akbank plans to boost this proportion further in the coming year.

The Bank organizes varied and ongoing programs, including solutions tailored to personal needs. The aim is to develop the leaders of today while cultivating the leaders of tomorrow. Akbank ensures that the learning processes in competence development programs are designed to be efficient and transparent. As part of talent management development, the Assessment Center determines needs and formulates a personal development plan using tools such as surveys. In 2018, all Akbank employees were supported by the Competency Development Journey tailored to their individual development plans and competencies. The journey is unlike similar programs in the industry. The Bank's version of the "Competency Development Journey" comprises international know-how as well as select interactive content in compliance with Akbank's competence definitions and strategies. It also features a personalized design.

Professional development opportunities rank among the most important expectations that younger generations have when they start their career. To meet these demands, Akbank Academy continues to use various learning methods and tools, including classroom trainings and online training tools. The Bank also strives to render trainings more entertaining with gamification systems. Akbank combines modern training methodologies with technology, constantly working to innovate the digital experience. Training technologies are used in online training tools, as well as in classroom activities.

Akbank Academy uses a remote access system infrastructure. Employees are able to track their personal development plans alongside their career paths. Personnel can access all details on the training they will attend on a single platform. In addition, managers are able to monitor the development performance of their teams. With the Academy's mobile app, Akbank focuses on mobile learning and mobile experiences. The new training programs are mobile compatible, while critical training programs are being transferred to the mobile environment. In 2018, the Academy recorded a 32% increase in mobile usage.

Akbank Academy's portal is continuously being improved to adapt to the new generation. Akbank has gamified its staff development process to enhance the learning experience, and make it more enjoyable. In 2018, Akbank Academy Training Mobile Application and Gamification infrastructure won two Bronze awards and two Gold Awards at international awards competitions.

At Akbank, the employee learning experience is transformed into a journey of development. Personnel can access all development tools in a holistic manner and complement their technical training with online methods, simulations and games. Staff may also participate in activities in classroom trainings, reinforce and improve their competencies. Work is ongoing under digital transformation efforts to render the current career diplomas more personalized and tailored, more compact, independent of time and space, and more accessible.

The digital Training Catalogue, accessible via Akbank Academy Portal, is designed to meet the staff's learning needs throughout the year. The catalogue features rich content, competency sets and matched with personalized training options.

Field-oriented development programs are designed to move Akbank forward into the future. These programs focus on relationship management, customer orientation, quality, efficiency, clean banking, and sustainability. To this end, Akbank Academy has focused on the Bank's strategies, banking industry developments, and the needs of the field operations. The Academy has implemented programs that will support staff members in their career paths and integrate trainings with their career goals. In 2018, the Bank launched special development programs to support the New Generation Akbank branch model. Field staff underwent the existing simulation-centered programs and were also offered additional programs for their emerging needs, in order make communications with customers in the field more efficient.

Across its entire training and development portfolio, the Academy emphasizes quality and productivity while placing significant importance on the measurement and assessment of training programs. At the end of critical training programs, their effects on business results are measured via ROI methods. Productive training programs are duly designed by the Academy.

STRATEGY AND HUMAN RESOURCES

Akbank focuses on the staff's development areas. The Bank provides employees with optimized, easily accessible trainings that are personalized with analytical training, and delivered via new generation methods.

For the Bank's success today and in the future, Akbank frequently conducts exclusive online trainings to boost the rates of licensing and certification. In addition, employees are provided support with testing and in-class trainings.

Under its learning organization strategy, Akbank actively seeks the support of its highly experienced employees as in-house instructors as well as in mentoring and in-house coaching efforts. As a result, the Bank achieves the sharing of experiences in proven areas of expertise. In 2018, Akbank launched the ICF-approved coaching program in order to enhance in-house coaching; the Bank's ICF-approved in-house coaches started their work during the year. The Bank continues activities that boost the motivation levels of in-house instructors, the best architects of continuous development. Internal instructors are also supported with development programs.

25%

Over the years, Akbank Academy has allocated a steadily increasing portion of its annual budget to talent and leadership development. In 2018, this rate was 25%.

Akbank Academy has training halls at its main building in Istanbul, in Ankara and at Akbank Banking Center. Digital solutions implemented at the Akbank Academy building led to decreased paper consumption, as digital displays were placed in classrooms. The resulting reduction in paper consumed is in line with our environmentally friendly approach. In addition, Akbank Academy sends digital messages to participants concerning their training programs using Beacon technology.

The Akbank library at Sabancı Center is currently being revamped in line with the New Generation Akbank Employee concept. In 2019, the library will also host events that will support innovative ideas, encouraging employees to learn from each other and prepare for the future. Furthermore, the renovated facility will provide physical and digital environments for Akbank employees who want to further their personal development.

By year-end 2018, Akbank administered 46 hours of training per employee thanks to its investment in staff training and development. 38% of total training time was online training during the year.

Performance-based bonus and rewarding

Akbank's performance bonus system ensures increased employee efficiency in achieving organizational goals, continuity of performance levels, and prioritization of individual and team performance. The aim is to differentiate and reward successful employees and teams.

In performance evaluation interviews, personnel can discuss the results of the previous period one-on-one with their managers, identify their achievements, and pinpoint areas that require improvement.

For fiscal year 2018, the Bank plans to pay TL 168 million in performance premiums to employees depending on their work progress.

During the year, Akbank's employer brand and staff loyalty efforts included devising new reward mechanisms to contribute directly to the motivation and productivity of employees; ensuring the recognition and appreciation of successful personnel who create added value for the Bank; and upholding the concept of "value to people" by bolstering staff loyalty.

To this end, Akbank continued to implement the following award systems:

- "Bull's Eye Awarding System" for swiftly recognizing exemplary behavior and ground-breaking business results in day-to-day operations,
- "Impressive Akbank Employee" seniority incentive awards for those employees who have completed 10, 15, 20 and 25 years at the Bank,
- Gratitude/Appreciation awards, where the conduct and/or work methods of extraordinary employees who have a direct impact on the Bank's attaining its targets are recognized by Human Resources and the CEO,
- Awards for employees who nominate candidates that share the corporate culture and possess the skills necessary for the vacancy in question,
- The "Thanks from Team to Team" platform, launched to foster a culture of collaboration, recognize and celebrate achievements, reinforce teamwork, and highlight any crucial support from and collaboration with other teams,
- Field Achievement Awards, which reward teams on the basis of their quantitative performance in specially designated categories.

Additionally, in 2018:

- "Clean Banking" award for employees who serve customer interests and contribute to customer satisfaction with their conduct, practices and efforts in line with clean banking principles,
- Campaign awards granted by business units, subsidiaries, and insurance companies to which Akbank provides agency service, in order to boost the sales performance of sales personnel.

FINANCIAL BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR MANAGERS

As of December 31, 2018, Akbank paid TL 60.4 million to the Group's senior management.

ETHICAL PRINCIPLES

Ethical principles, which are the unchanging elements of our corporate culture and governance, provide a foundation for Akbank's current reputation in the banking industry and within the society at large. The Bank's main objectives include safeguarding and further enhancing its market position while sustaining stability and engendering confidence in the industry. Akbank does its utmost to ensure that employees embrace the ethical principles as outlined in internal communication channels and training programs, and act in line with such an awareness. The Bank also has an Ethics Line, where Bank personnel can communicate any issue they cannot resolve or bring up in their own department for any reason.

AKBANK EMPLOYEES

As of December 31, 2018, Akbank recorded 13,367 employees. (The Group has a total of 13,757 employees.) The Bank's workforce is composed of 53% women and 47% men.

Some 95.3% of all Akbank employees are university graduates. The average employee age is 35.4.

Akbank's Human Resources Practice Principles outline the Bank's human resources practices, point to the respective parties' rights and obligations in relations with employees, and identify the rules and principles that govern the human resources function and organization. The Bank fully complies with the Labor Law, other applicable laws, bylaws and regulations, as well as with the collective bargaining agreements in place.

AKBANK STAFF PENSION FUND TRUST

In 2018, Akbank Staff Pension Fund Trust focused its activities related to current (employed) and retired members on the provision of healthcare services. The retooled Health Center operates in a modern, spacious and well-appointed facility with experienced specialist physicians on staff.

The new call center provides appointment and advisory services to all Bank staff members. The revamped website serves as an appointment platform and features many user-friendly interactive applications, such as e-authorization, e-referral, and lab test results.

As of December 31, 2018, the highlights of Akbank Staff Pension Fund Trust's efforts include:

- Total assets of the Foundation: TL 1,905 million.
- Number of members receiving pension salaries: 12,406.
- Amount paid to retirees, people with disabilities, widows and orphans: TL 370 million.
- Health care assistance increased to TL 158 million as of end-2018, up from TL 138 million at end-2017.

OTHER INFORMATION ON COMPANY OPERATIONS

There are no major pending lawsuits against the Company that may impact the financial position or operations of the Company.

Information on the donations and assistance distributed during the year is provided at the General Assembly under a separate agenda item. The Bank also spent TL 12.2 million in 2018 as part of its social responsibility activities.

OUR CONTRIBUTION TO SOCIETY

Akbank Art Center engaged in joint exhibitions, bringing together widely renowned names of the domestic and international art world, to present select examples of contemporary works to arts enthusiasts.

ARTS

Celebrating its 25th anniversary in 2018, Akbank Art Center was established to create a brand for the innovative and visionary identity that Akbank pursues in the arts.

Akbank Art Center plays a leading role in developing the contemporary arts in Turkey and bringing artworks to a mass audience across all social strata. The Center ranks among the pioneering contemporary arts institutions in the country. In 2018, the Center organized over 700 arts-related events – including exhibitions, concerts, theatrical plays and dance – sending ripples across Turkey and the global arts community.

Akbank Art Center engaged in joint exhibitions, bringing together widely renowned names of the domestic and international art world, to present select examples of contemporary works to arts enthusiasts. In 2018, the Center's exhibition programming included Susie MacMurray's "Strange Fruit," Bülent Erkmen's "Remix," Tabanlıoğlu Architects and Mimarlar + Han Tümertekin's works entitled "ÖTE/DE/Kİ MİMARLIK (Ulterior Architecture)." Additionally, the Akbank 36th Contemporary Artists Prize was organized in collaboration with Akbank Art Center and the Painting and Sculpture Museums Association in order to support the development of contemporary arts and encourage young artists. Akbank Art Center was also among the six venues of the 4th Istanbul Design Biennial with the "Deconstruction School."

700 Activities

In 2018, the Center organized over 700 arts-related events – including exhibitions, concerts, theatrical plays and dance – sending ripples across Turkey and the global arts community.

The Contemporary Art Education Program, specially-designed for every exhibition held at Akbank Art Center, provides primary, junior high and high school students the opportunity to get acquainted with contemporary works of art. The program also offers a fun environment, where they can enjoy various artistic, cultural and social experiences with engaging content, by thinking freely and creatively. Nearly 3 thousand children and young people participated in these trainings in 2018.

The Center's Multi-Purpose Room, one of the major meeting points for arts lovers, hosted monthly concerts by renowned musicians, including Tord Gustavsen Project, Joachim Kühn Trio, The Balanescu Quartet as part of Akbank Art Center 25th Anniversary Year Concerts.

During the year, Akbank Art Center continued its popular Philosophy Seminars, Art History Seminars and "Human Condition in Cinema" Psychiatry Seminars. The Center also introduced the "New Media Talks" program in 2018.

Akbank Art Center's Dance Workshop recorded many international achievements throughout the year. The Dance Workshop organized events with well-known choreographers and dance instructors, such as Antien Van Mierlo, Ido Batash, and Sagi Gross. It also continued to offer dance lessons for both children and adults. In 2018, open auditions were organized for dance shows and talented young dancers were provided scholarships for modern dance lessons.

Celebrating its 45th anniversary in 2018, Akbank Children's Theatre has made a significant contribution in cultivating a theatre-going audience since its founding. During the year, the Theatre staged the play "Gorilla" written by Anthony Browne and adapted to the stage by Rachel Barnett, with the collaboration of London Polka Theater. As part of its Anatolia tour, Akbank Children's Theatre staged the play "Gorilla" in Gaziantep for a total of 3 thousand children.

In 2018, Akbank Art Center published the volume "100 Works of Art That Will Define Our Age" authored by Kelly Grovier. The book designates the top 100 art works produced since the 1990s. It also serves as an easy-to-follow intellectual map that helps the reader navigate the contemporary art world.

At the 28th Akbank Jazz Festival, 37 concerts, three discussions and 16 workshops were held at 37 venues on October 17-28, 2018. The Festival hosted over 100 artists and was attended by some 20 thousand music lovers. As part of High School Jazz Workshops in 2018, 1,355 students from nine high schools convened with Ercüment Orkut, Volkan Topakoğlu and Ediz Hafızoğlu to learn more about jazz music and instruments.

Jazz on Campus concerts continued in 2018, as part of the 28th edition of Akbank Jazz Festival. Prominent musicians of the new generation, Evrencan Gündüz and his group Uzaylılar, came together with more than 6,500 university students and guests in the provinces of Edirne, Çanakkale, Izmir, Muğla, Eskişehir, Ankara, Kayseri, Mersin and Adana on November 12-23, 2018.

The Akbank Short Film Festival is a leading platform for short films in Turkey that strives to support new ideas and contributes to short film culture. The Festival presented cinema enthusiasts with the opportunity to enjoy celebrated films shown at international festivals, workshops and conversations, as well as competition films for 10 days on March 19-29, 2018. During the Festival, 1,342 short movies from 65 countries were presented to receptive audiences.

During the 14th Akbank Short Film Festival, as part of its "Award-Winning Films Come to Universities" program, the best films designated by the Selection Committee of the international competition were screened at 40 universities in 21 cities from Edirne to Van, from Zonguldak to Mersin from April 2 to May 17. With this effort, the Short Film Festival reached out to over 900 thousand university students.

In 2018, Contemporary Istanbul Art Fair was held on September 20-23. Akbank Art Center's booth was home to the exhibition "Image Things" by the American artist Tommy Hartung. The exhibition, curated by Hasan Bülent Kahraman, featured three video works of the celebrated artist. Art lovers had the chance to visit the interactive works of Tommy Hartung, who is considered a leader in New Media art.

In 2018, 105,200 people attended Akbank Art Center events.

EDUCATION

Center of Excellence in Finance (CEF)

The Center of Excellence in Finance was established in 2016 at Sabancı University under Akbank's founding sponsorship. CEF brings together academics, financial market actors and investors to transform basic information into real-life applications. The Center of Excellence in Finance continued to serve as a bridge between academia, finance sector, policy makers and the real economy with its certification programs, seminars and research reports throughout 2018.

Akbank's "Children: Heroes of the Economy" Project

To boost financial literacy and encourage savings, Akbank initiated the "Children: Heroes of the Economy" project in 2012. This initiative is designed to reach out to children at the ages when they acquire their life-long habits. The program creates special project content for instructional purposes, such as a website, board games for activities, posters to encourage saving, and certificates. At the end of in-class activities conducted by Akbank staff volunteers, pupils are presented with Akbank's Ladybug Penny Bank: "Kumbirik." Children then take their first steps to accumulate savings with their very own beloved "Kumbirik."

Akbank Thinking Club

Akbank Thinking Club was established in 2008 by Akbank to create a platform for youth, who are the leading proponents of continuous development and innovation. Celebrating its 10th anniversary in 2018, the Club encourages young people to think together and jointly create value for Turkey's future. Applications to Club membership is open to third year undergraduates from across Turkey. Students who join the Club design a project according to the theme assigned for that year. The projects are then assessed by a special selection committee composed of academics, experts and Akbank senior managers. The creator of the best project is then awarded with a scholarship for Harvard University Summer School.

Akbank Family Company Academy

In collaboration with Sabancı University Executive Development Unit (EDU), Akbank organized Akbank Family Company Academy for the 12th time in 2018, which was first held in 2014. In response to requests from leading companies in the industry, the program was administered for Akbank customers as well as their distributors and dealers. Akbank Family Company Academy targets family companies that want to institutionalize their enterprise, become up-to-date via academic training, and hand over their company management to the next generation. The program covers wide variety of subjects of particular interest to family-owned business representatives. These include strategic management, business development, innovation, institutionalization, finance, best corporate governance practices, legal matters and human resources management.

OUR CONTRIBUTION TO SOCIETY

CaseCampus, Akbank's entrepreneurship program launched in 2015 in collaboration with Endeavor Turkey, met with young entrepreneurs in 2018 and continued to enjoy widespread popularity.

ENTREPRENEURSHIP

CaseCampus Program

CaseCampus, Akbank's entrepreneurship program launched in 2015 in collaboration with Endeavor Turkey, met with young entrepreneurs in 2018 and continued to enjoy widespread popularity. Guided by the principle that "'no training is as educational as a case study," CaseCampus offers participants innovative training and learning opportunities with real-life stories and dilemmas from Turkey's leading entrepreneurs. The program is conducted in two terms, spring and fall.

CaseCampus brings together successful "Endeavor Entrepreneurs" with third and fourth year undergraduate students, graduate students and those who graduated within the last five years, and are under 30. Participants should consider entrepreneurship as a career option. The program offers budding entrepreneurs a new, innovative, applied environment of learning and networking.

StartUpCampus Entrepreneurship Program

For the last three years, Akbank and Endeavor have conducted a youth entrepreneurship program in Turkey called CaseCampus, which analyzes the success stories of various start-ups and supports entrepreneurial efforts on a growth path. In the StartUpCampus Program, young entrepreneurs participate in mentoring as well as training and workshops in order to make their business enterprises grow. The 10-week StartUpCampus Program targets entrepreneurs under 35, who have chosen entrepreneurship as a career path, established their company, launched their early stage product and realized their first sales.

VOLUNTEER WORK

Akbank Volunteers

Akbank Volunteers is a platform committed to executing projects that contribute to society together with Akbank staff across the country, as well as their families, customers and business partners. The main facilitators of the volunteer system are Akbank employees across Turkey. Under the leadership of Akbank Volunteers, participants collaborate with local communities, NGOs and local governments to design initiatives in response to social problems and come up with solutions.

Good State of the City

Good State of the City is an initiative that encourages university students to take part in social responsibility projects organized in collaboration with NGOs. This effort offers university students (two- or four-year college students as well as graduate students) between 18 and 26 the chance to make contact with NGOs and participate in their voluntary activities.

The fourth edition of The Young Volunteers Project was held in June-November 2018. During this project term, the number of collaborating NGOs rose from five to 10, a total of 9,000 youth applied to participate in voluntary activities, and 2,600 were selected to take part. The volunteer youth participated in a wide array of social responsibility initiatives. These included painting school walls, sports activities with disabled people, hobby workshops with seniors, activities with young people under state protection, cleaning up coastlines, distributing soup to the homeless, taking care of shelter animals, and sign language workshops. The volunteers were then invited by Akbank to a concert featuring the singer Kalben at Volkswagen Arena on November 24, 2018.

SUBSIDIARIES

In 2018, Akbank AG conducted its business operations without ever compromising asset quality and effective risk management. As a result, Bank reported a non-performing loans (NPL) ratio of 0%.

AKBANK AG

A wholly-owned subsidiary of Akbank, Akbank AG recorded another successful year in 2018 in terms of growth, business area diversification as well as profitability. The Bank reported total assets of EUR 4.5 billion and shareholders' equity of EUR 669 million as of December 2018. Akbank AG's contribution to the national economy in the form of loans exceeded EUR 3.8 billion, corresponding to over 10% of the loans extended from Germany to Turkish firms.

As of December 31, 2018, the Bank's capital adequacy ratio according to Basel III criteria stood at 17.31% with a liquidity coverage ratio of 330%.

Boasting the largest balance sheet among all European banks with Turkish capital, Akbank AG accounted for an 8% share of Akbank's consolidated assets and a 5% share of consolidated profits in 2018.

Akbank AG's major products and services include various credit instruments, trade finance, factoring, money transfers and deposit services. Target clientele for lending activities primarily consist of multinationals based in Turkey as well as in the EU, Turkey's main trading partner. A standout with its high asset quality since its founding, Akbank AG remained committed to maintaining asset quality throughout the year. In 2018, Akbank AG reported an NPL ratio of 0%, thanks to its asset quality and effective risk management.

Akbank AG boasts an extensive portfolio of funding sources, including retail, corporate and deposits as well as funding through the European Central Bank's refinancing program (MRO and LTRO).

Providing retail banking services as well, the Bank has nearly 20 thousand individual deposit customers in Germany through its digital banking system. These varied sources of funding help Akbank AG to diversify its deposit structure over a broader funding base.

AKLEASE

With 30 years of industry experience, Aklease provides support to corporate and commercial customers who are keen to undertake investments, expand, enter new markets or boost their capacity. Aklease serves as a solution partner for financing new machinery and equipment investments.

Aklease has led the competition for many years in terms of offering long-term funds to clients at attractive interest rates. Aklease provides one-to-one solutions that are perfectly suited to meet the changing needs of clients thanks to its vast funding capacity that is not limited to the domestic market.

A 99.99%-owned subsidiary of Akbank, Aklease continued to offer ongoing support to the national economy in 2018. Aklease boasts a strong financial and partnership structure, robust shareholders' equity, 12 branch locations, extensive funding network, and most importantly, a dynamic highly specialized workforce. Aklease continued to support Turkey's economy by allocating funds to investments in the country's future. These projects included 123 MW solar power capacity and 79 MW wind power capacity investments in addition to subways, highways and other infrastructure/superstructure works that constitute the core of the intracity and intercity transport network.

Aklease upgraded its technology platform and software, which the company uses to perform financial leasing transactions. This effort ensured that these systems function in a swift, practical and mobile-enabled fashion in sync with the latest technologies. Major progress was also made in the company's digital transformation during the year.

In 2018, Aklease maintained its position among the industry's leading companies. Aklease continued to stand out among the competition thanks to its consistent, healthy and stable growth performance.

Committed to conducting its operations in a sustainable manner in the coming year, Aklease plans to remain a complementary driver of economic growth with its investments.

SUBSIDIARIES

With its 219 specialized and well-experienced employees, and comprehensive research reports and customer-oriented service approach, Ak Investment serves both individual and institutional investors.

AK INVESTMENT

Ak Investment, founded on December 11, 1996 to engage in capital markets activities in accordance with the provisions of the Capital Market Law and other applicable legislation, is a wholly-owned subsidiary of Akbank. Ak Investment was authorized as an "Intermediary Company with Broad Authority" by the Capital Markets Board as of October 15, 2015 following efforts completed to comply with new communiques.

With its 219 specialized and well-experienced employees, and comprehensive research reports and customer-oriented service approach, Ak Investment serves both individual and institutional investors. Delivering international and domestic capital markets products to individual and corporate investors, Ak Investment has 10 branches in six Turkish cities as well as central sales teams. With over 20 years of experience, Ak Investment offers capital markets products and services tailored for customers' needs and expectations, and in line with market conditions. The company is committed to building long-term client relations and creating added value.

In 2018, Ak Investment served as consortium leader for the IPO of Aselsan Elektronik Sanayi ve Ticaret A.Ş., which was Turkey's largest capital markets IPO in the last five years. It also served as consortium leader in the IPOs of Enerjisa Enerji A.Ş. and MLP Sağlık Hizmetleri A.Ş., which took place during the year.

Ak Investment's Corporate Finance Department further bolsters its leadership position in Turkish capital markets by providing financial advisory services in privatization deals, mergers and acquisitions, and asset sales. In 2018, the Department offered financial advisory services to buyers or sellers in various sectors.

Ak Investment increased its net profit 104% in 2018 over the prior year. Ak Investment also boosted its trading volume 48% in the stock market and 12% in the derivatives market over 2017. The company maintained market leadership in structured borrowing instruments and executed 129 different issuances. By adding the world's most widespread online FX trading platform – Meta Trader4 – to its digital channels, Ak Investment gained an important competitive advantage in the forex markets. According to the nine-month figures on leveraged trading volumes, the company ranks first among brokerage firms that are subsidiaries of a bank. Ak Investment became the leader of the segment with a 16.9% market share in third quarter 2018.

Ak Investment started its activities in 2015 as an official market maker in future share contracts and BIST 30 Index Option contracts, and in share option contracts in 2016. Today, Ak Investment sends quotes to the market on nearly 210 contracts with continuous and competitive buy/sell spreads. For over 1 thousand contracts apart from the above-mentioned, Ak Investment offers liquidity to investors by making continuous pricing on demand. The company intermediates in the largest number of contracts on the Derivatives Market (VIOP). It is also the only market maker institution in share future contracts, share option contracts and index option contracts. Ak Investment maintained its leadership position with a market share above 20% in share option contracts as official market maker.

With a 19% market share in 2018, Ak Investment remains the leader of TL-denominated private sector debt instrument issues, excluding banks and financial subsidiaries. Ak Investment also boasts the highest transaction volume, 25%, for all transactions and brokerage companies in the Debt Securities Outright Purchases and Sales Market, which is organized under the structure of Borsa Istanbul.

The Investment Advisory Department establishes long-term, multifaceted relationships with Akbank's individual and corporate clients. The Department provides investment advisory services that respond to customer expectations and their risk/return profiles, which are based on eligibility and suitability tests. In keeping with the recommendations of the Ak Investment Research Team, Ak Investment formulated strategies with various underlying assets, such as equities, foreign exchange, and time deposits. With this approach, the company became the leader of structured debt instruments offering fixed or high returns in 2018. During the year, Ak Investment issued a total of 129 Ak Investment Structured Debt Instruments worth TL 327 million, bringing its overall total to date to more than TL 1 billion. In 2018, Ak Investment issued six Ak Investment bonds worth TL 900 million in total.

Ak Investment's Corporate Sales and Trading Departments provide equities and VİOP sales and trading services to domestic and foreign corporate clients. The client portfolio includes portfolio management firms in Turkey as well as corporate customers based in Europe, Middle East, UK, and USA. The company also reaches out to an extensive customer base with other products, such as primary and secondary public offerings.

The branch locations establish long-term relationships that generate added value for the clients. With its branded digital trading platform TradeAll, Ak Investment enables its customers to trade in a fast, secure and easy manner in the domestic, forex, and international stock markets. The company shares reports and market recommendations on products, services and markets to investors via social media channels such as Facebook, Twitter, Instagram and YouTube. Ak Investments continued its technology investments in 2018 in order to boost customer satisfaction by offering better service to its clientele.

AK ASSET MANAGEMENT

Ak Asset Management is a wholly-owned subsidiary of Akbank that was established in 2000 to provide asset management services in capital markets to institutional and individual investors. Ak Asset Management operates in the business lines of pension fund management, discretionary portfolio management and mutual funds.

As of year-end 2018, Ak Asset Management's total assets under management rose to TL 24.8 billion. Assets under management in the mutual fund portfolios managed by Ak Asset Management amounted to TL 5.2 billion at year's end, representing a 2.2% increase over the prior year to 11.5%. Ak Asset Management manages 50 pension funds established by global pension companies with a total fund volume of TL 14.5 billion in this area.

Ak Asset Management maintains its market leadership position thanks to the wide array of products and extensive investment universe it offers clients with the mutual funds it has established. The company's investment offerings span traditional products such as money markets, borrowing instruments and share certificates, as well as gold, oil and lease certificates, real estate investment funds, venture capital funds. Ak Asset Management also offers its client base private sector regional and thematic funds, in addition to funds that invest in private sector borrowing instruments issued in Turkey or abroad.

Ak Asset Management set up Turkey's first real estate investment fund and venture capital fund in 2016. In another first in 2018, the company established the New Technologies Fund, which offers investment opportunities in 20 leading technology companies from around the world. During the year, the company also launched Ak Asset Management Oil Fund, which enables investing in oil for the first time in Turkey, as an alternative investment channel for savers.

Ak Asset Management designs and manages the investor risk profile tests that form the basis of Akbank Wealth Management and Akbank Robo Advisory concepts. The company also develops innovative investment management products such as Portfolio Ideas. These efforts aim to help investors with different profiles manage their savings via asset distribution recommendations.

With innovative products and mobile solutions targeting pension fund participants, Ak Asset Management strives to expand its Robo Advisory services across a broader customer base. The company supports pension participants with content featuring investment products, asset distribution strategies, and current market data. With more efficient use of advanced technology solutions within the system in 2018, savers have come to enjoy a practical and swift asset management service, which makes a difference in line with their investment preferences.

By capitalizing on its investment universe, the largest of its kind in Turkey, the Ak Asset Management focuses on broad-based portfolio management services, private asset distribution recommendations, and asset diversification in portfolio management. The company prioritizes risk management and operates in line with its investment strategy based upon clear-cut guidelines. Ak Asset Management also provides portfolio management services to large corporate and individual investors according to their expectations and risk profiles.

Established in 2006, Discretionary Portfolio Management business line reported AUM of TL 4 billion as of year-end 2018, up 33% year-on-year.

In 2016, Ak Asset Management launched personalized asset management services that are offered in a holistic approach to the top segment of Akbank Private Banking clients. In 2018, the company stepped up its activities in this privileged area.

In recognition of its world class risk management, successful investment processes, new product development and sustainable performance, Ak Asset Management garnered World Finance's "Best Pension Fund Management Company" award in 2018. In addition, Ak Asset Management received the "Best Asset Management Company" and "Best Pension Fund Manager" awards from Global Banking & Finance Review during the year.

AKÖDE

AkÖde Electronic Money and Payment Services Inc. ("AkÖde") is a wholly-owned Akbank subsidiary founded in 2018. The company was established under Law No. 6493 on Payment and Securities Reconciliation Systems, Payment Services and Electronic Money Institutions to deliver payment service and issue electronic money. AkÖde aims to fulfill the unbanked and underbanked population's financial needs in an easy, fast and innovative way with its mobile platform and prepaid cards. The AkÖde mobile and card system application will be ready for customer use in the first half of 2019. One of AkÖde's strategic priorities is to contribute to the Bank's new customer acquisition in the youth segment.

BOARD OF DIRECTORS

Suzan Sabancı Dinçer – Chairman
Hayri Çulhacı – Vice Chairman and Executive Board Member
Ahmet Fuat Ayla – Executive Board Member
Can Paker – Member
Yaman Törüner – Member
Aykut Demiray – Member
Emre Derman – Member
Prof. Özgür Demirtaş – Member
Aydın Günter – Member
Hakan Binbaşgil – Member and CEO

SUZAN SABANCI DİNÇER

Chairman of the Board of Directors

Suzan Sabancı Dinçer is the Chairman of Akbank. Mrs. Sabancı Dinçer is also a Board Member of Sabancı Holding and a Member of the Board of Trustees of Sabancı University. In 2009, Mrs. Sabancı Dinçer founded the Akbank International Advisory Board and currently serves as its Chairman.

Suzan Sabancı Dinçer began her career in banking in 1986 and joined Akbank as Executive Vice President in charge of Treasury in 1989. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed as Executive Board Member to oversee the bank-wide change and transition program in 2001. She was named Akbank's Chairman in March 2008.

Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board. She is also a Member of Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard John F. Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council, and an Emeritus Member of Harvard Business School's Middle East and North Africa Advisory Board. Suzan Sabancı Dinçer is a Member of the Global Board of Advisors at the Council on Foreign Relations and a Member of the Board of Managing Directors of Venetian Heritage, Inc.

From 2010 to 2014, Suzan Sabancı Dinçer served as Chairman of the Turkish-British Business Council for two terms. From 2009 to 2016, Mrs. Sabancı Dinçer sat on the Global Board of Advisors of Chatham House. In 2012, Her Majesty Queen Elizabeth II awarded Mrs. Sabancı Dinçer the title of "Commander of the Most Excellent Order of the British Empire (CBE)" in recognition of her proactive and influential contributions to the development of Turkey-UK relations.

Suzan Sabancı Dinçer is strongly committed to corporate social responsibility activities and assumes various roles in the areas of culture, education, and the promotion of entrepreneurship. She is a founding member and board member of Endeavor Turkey, and a member of Contemporary Istanbul Honorary Board. Mrs. Sabancı Dinçer is also Luxembourg's Honorary Consul in Istanbul. In 2014, Mrs. Sabancı Dinçer was given the Order of Civil Merit (Orden del Merito Civil) of the Kingdom of Spain by King Felipe VI of Spain for her contributions to the relations between the two countries and for her support to cultural convergence.

Suzan Sabancı Dinçer holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the USA. Ms. Sabancı Dinçer is married and has two children.

HAYRİ ÇULHACI

Vice Chairman and Executive Board Member

Hayri Çulhacı was elected Vice Chairman on July 18, 2010, and appointed Chairman of the Audit Committee and Executive Risk Committee on January 17, 2011. Having joined Akbank as Executive Vice President in 1990, Mr. Çulhacı was consecutively appointed Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; Advisor to the Chairman; and Executive Board Member. Prior to joining Akbank, Hayri Çulhacı worked as Financial Analyst and Department Head in the Ministry of Finance. Mr. Çulhacı holds a BA degree in Economics from Ankara University, Faculty of Political Sciences and an MBA degree from Northeastern University in the USA. Hayri Çulhacı is a Member of the Board of Trustees of Sabancı Foundation, and a Board Member of Aksigorta A.Ş. and AvivaSA A.Ş.

AHMET FUAT AYLA

Executive Board Member

Ahmet Fuat Ayla was elected Executive Board Member in charge of Credits as of July 12, 2017. Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became Senior Vice President in charge of Corporate and Commercial Credits Approval in 2005 and was appointed Executive Vice President in charge of Corporate and Commercial Credits Approval in 2007. Before joining Akbank, Ahmet Fuat Ayla worked in marketing and sales department positions at headquarters and branch offices at different private sector banks. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration.

CAN PAKER

Board Member

Can Paker graduated from Berlin Technical University, continued his education at Yıldız Technical University to receive his PhD in Mechanical Engineering, and went on to Columbia University for his MBA (1973). Starting his professional career at Turk Henkel in 1971, he held various senior positions at the company and served as General Manager from 1984 until 2004. Mr. Paker sat on Sabancı Holding's Board of Directors, Sabancı University's Board of Trustees, Turkish Industry and Business Association (TÜSIAD)'s Board of Directors and Honorary Board, Istanbul Culture and Arts Foundation (İKSV)'s Board of Directors, and Robert College's Board of Trustees. He served as Chairman of Turkish Economic and Social Studies Foundation (TESEV) between 1997 and 2015. He is currently the Founding and Managing Partner of B.O.Y. Consulting and a Founding Member of PODEM (Center for Public Policy and Democracy Studies).

YAMAN TÖRÜNER

Board Member

Yaman Törüner became a Member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Yaman Törüner also served as a Minister of State in 1996. Between 1990 and 1994, Yaman Törüner presided over the Istanbul Stock Exchange. From 1972 until 1990, he worked in various administrative positions within the Central Bank of Turkey, also serving as the Governor of the Central Bank of Turkey between February 1994 and January 1996. Additionally, Yaman Törüner is an op-ed columnist for Milliyet daily.

AYKUT DEMİRAY

Board Member

Aykut Demiray joined Akbank as a Member of the Board of Directors on March 1, 2012. Aykut Demiray began his career in 1979 at İşbank as Assistant Internal Auditor and undertook various duties in several units and branches, finally serving as Deputy Chief Executive between 1998 and 2011. He is a graduate of Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration. Aykut Demiray is also a Member of the Board of Trustees at Istanbul Culture University.

EMRE DERMAN

Board Member

Emre Derman has led negotiations for numerous large-scale deals in Turkey as a Lawyer and Managing Partner with the international law firm White & Case between 1989 and 2008. In addition to his work in Turkey, he has worked in the New York and London offices of White & Case as well as in the former Soviet Union and Eastern Europe during his tenure as Lawyer for EBRD from 1994 to 1995. Served as Board Member of Akbank in 2010, he served as Managing Director of JP Morgan in Turkey between 2011 and 2014. Mr. Derman is a member of various organizations related to education and yacht racing and serves an independent consultant. Emre Derman holds an LL.B. from Istanbul University Law School and an LL.M. from Harvard Law School.

PROF. ÖZGÜR DEMİRTAŞ

Board Member

Özgür Demirtaş received his BSc in Electrical and Electronics Engineering from Boğaziçi University, and PhD in Finance from Boston College. In 2003, he became an Assistant Professor and joined Baruch College, City University of New York. Mr. Demirtaş has over 30 academic publications. In 2007, he received the title of Associate Professor. While at Baruch, Özgür Demirtaş was named "Best Faculty Member" in all disciplines and departments; for this honor, he was granted the Medal of Distinguished Teaching. In the field of research, Mr. Demirtaş was offered the Eugene M. Lang and Marie Curie Reintegration grants. He gave lectures at Boston College, CUNY and NYU-Stern School of Business and joined Sabancı University in 2012 as Finance Chair. Since 2014, Özgür Demirtaş has served as Founding President of Sabancı University Center of Finance and Excellence.

AYDIN GÜNTER

Board Member

Aydın Günter worked at Sabancı Holding and held various positions, including Head of Financial Control and Finance from 1974 to 1994. In 1994, he founded his own consulting firm and served as Member of the Board of Directors at various companies beginning from 1998. Prior to joining Sabancı Group, Aydın Günter worked at the Ministry of Finance as Tax Inspector. Aydın Günter is a graduate of Ankara University, Faculty of Political Sciences.

HAKAN BİNBAŞGİL

Board Member and CEO

Hakan Binbaşgil joined Akbank as Executive Vice President in charge of Change Management in October 2002. He initiated the Bank's Restructuring Program, which transformed Akbank into one of Turkey's most customer-focused, forward-looking and innovative financial institutions. Hakan Binbaşgil was appowinted Executive Vice President in charge of Retail Banking in November 2003 and Deputy CEO in May 2008. Since January 2012, he has served as Board Member and Chief Executive Officer of the Bank. Prior to joining Akbank, Mr. Binbaşgil worked as Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in various private sector banks. Mr. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad. After graduating from Robert College, Hakan Binbaşgil graduated from Boğaziçi University, Faculty of Mechanical Engineering. Mr. Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University – Baton Rouge, USA.

CONSULTANT TO BOARD

EROL SABANCI
Consultant to Board
Erol Sabancı was a Member of the Akbank Board of Directors from 1967 until March 2018. For a decade beginning from March 1998, Erol Sabancı was Chairman of the Board of Directors. He was named Consultant to Board on March 26, 2018. Erol Sabancı also serves as Vice Chairman of the Board of Directors at Sabancı Holding.

BOARD OF INTERNAL AUDITORS

EYÜP ENGİN
Head of Internal Audit
Eyüp Engin joined Akbank in 1978 as Assistant Internal Auditor. Following his auditing assignment, Mr. Engin served as Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed Executive Vice President in charge of Corporate Banking in 1996. Subsequently, Mr. Engin served as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing. Eyüp Engin was appointed to his current position as Head of Internal Audit in July 2007. He is a graduate of Middle East Technical University, Faculty of Economics and Business Administration.

INTERNATIONAL ADVISORY BOARD

INTERNATIONAL ADVISORY BOARD

Suzan Sabancı Dinçer – Chairman
Hamid Biglari – Member
Sir Winfried Bischoff – Member
Stephen K. Green – Member
Michael Klein – Member
Lubna Olayan – Member
Dante Roscini – Member
Lorenzo Bini Smaghi – Member
Tom de Swaan – Member
Hakan Binbaşgil – Member
Hayri Çulhacı – Member
Ahmet Fuat Ayla – Member

SUZAN SABANCI DİNÇER
Chairman

HAMID BIGLARI
Board Member
Hamid Biglari is Managing Partner at TGG Group. During his tenure at Citigroup, he served as Vice President and Head of Emerging Markets, became a member of the Operating Committee, and held various senior management roles. These included Chair of the Business Development Committee (the most senior client committee at the bank) and Chief Operating Officer of the Institutional Client Group (the bank's investment and corporate banking arm). Prior to joining Citigroup, Dr. Biglari was a Partner at McKinsey & Company, where he co-led the firm's investment banking consulting practice. In that role, he advised CEOs at several bulge-bracket investment banks, commercial banks, insurance companies, investment management companies, and private equity firms. His experience base spans the entire spectrum of financial services. Prior to that, Dr. Biglari was a theoretical nuclear physicist at Princeton University's Plasma Physics Laboratory, the nation's leading center for controlled thermonuclear fusion research. He is a member of the Council on Foreign Relations as well as a Trustee of Asia Society. He also sits on the Advisory Board of the Bendheim Center for Finance at Princeton University. In 2009, Dr. Biglari was awarded the Ellis Island Medal of Honor, given for outstanding contributions to the United States by immigrants. Dr. Biglari holds a PhD in Astrophysical Sciences from Princeton University.

SIR WINFRIED BISCHOFF
Board Member
After serving as Chairman of the Board of Directors of Citigroup until February 2009, Sir Winfried Bischoff served as Chairman of the Board of Directors of Lloyds Banking Group from September 2009 until April 2014. Sir Bischoff was named Chairman of the Board of Directors of JP Morgan Ltd. in August 2014. Following his tenure at Schroders Group as an executive, he was appointed Chairman of the Board of Directors of Schroders in May 1995. With the acquisition of Schroders' Investment Banking division by Citigroup, Sir Bischoff became Chairman of the Board of Directors of Citigroup Europe in April 2000. Sir Winfried Bischoff served as a Member of Akbank's Board of Directors from January 2007 until February 2008. Sir Bischoff is currently a Member of the Board of Directors at Eli Lilly and McGraw-Hill in the United States and Prudential in the United Kingdom as well as Chairman of the Board of Directors and Head of the Financial Reporting Council at UK Career Academy Foundation. Sir Winfried Bischoff continues to serve as Chairman of the European Advisory Board of Citigroup Inc. Sir Bischoff entered the Honor List and was knighted in 2000 for his contributions to the banking industry.

STEPHEN K. GREEN
Board Member
Stephen Green attended Lancing College, Sussex, and Oxford University where he graduated in 1969 with a BA (First Class Honours) in Politics, Philosophy and Economics. He also obtained a Master's degree in Political Science from Massachusetts Institute of Technology in 1975. He was made a Life Peer in 2010 and appointed Minister of State for Trade and Investment in January 2011. He retired from this position in December 2013. Lord Green began his career in 1970 with the British Government's Ministry of Overseas Development. In 1977, he joined McKinsey & Co. Inc., management consultants, with whom he undertook assignments in Europe, North America and the Middle East. He joined The Hongkong and Shanghai Banking Corporation in 1982 with responsibility for

EXECUTIVE MANAGEMENT

INTERNATIONAL ADVISORY BOARD

corporate planning activities; in 1985, he was put in charge of development of the bank's global treasury operations. In 1992, he became Group Treasurer of HSBC Holdings plc with responsibility for HSBC Group's treasury and capital markets businesses globally. In 1998, Lord Green was appointed to the Board of HSBC Holdings plc as Executive Director. He became Group Chief Executive in 2003 and Group Chairman 2006. Lord Green retired from HSBC in December 2010. Lord Green was Chairman of the British Bankers' Association from 2006 to 2010. He also served as a Trustee of the British Museum. He was a Non-executive Director at BASF.se until 2010. He is Chairman of the Natural History Museum, Chairman of the International Advisory Council of British Chambers of Commerce and is a Member of the House of Lords EU Select Committee. Stephen Green is married and has two daughters.

MICHAEL KLEIN
Board Member
Michael Klein is Managing Partner of M. Klein and Company, LLC, a leading independent financial and strategic advisor to companies, investors, and governments. Mr. Klein was previously Chairman of Citi's Institutional Clients Group and Vice Chairman of Citi, Inc. In that capacity, Mr. Klein was responsible for managing the bank's relationships with leading companies, investment funds, and governments in more than 100 countries. Prior to that time, Mr. Klein held a number of positions at Citigroup and Salomon Smith Barney, including Head of Investment Banking. Mr. Klein led the efforts to build Citigroup's European businesses, including the acquisition of the investment bank Schroders plc. He was also founder of the firm's efforts to advise and raise funds for private equity and other alternative investment firms. Mr. Klein is a member of various boards including: The Dow Chemical Company Agrosciences, IHS Inc., Peterson Institute for International Economics, American Academy of Berlin, Mount Sinai Medical Center and Harvard Belfer Center. He is also an Inaugural Member of the United Nations' World Food Programme Investment Advisory Board. Mr. Klein has served as a Guest Lecturer at Columbia, Harvard, London School of Business, St. Petersburg University and at various educational programs arranged by the US Government, including the Federal Reserve and the Securities and Exchange Commission.

LUBNA OLAYAN
Board Member
Lubna Olayan is Deputy Chairman and Chief Executive Officer of Olayan Financing Company, a subsidiary of Olayan Group, which operates in Saudi Arabia and the Middle East. Ms. Olayan is also a Member of the Board of Directors of Saudi Hollandi Bank, a publicly listed company in Saudi Arabia. She has been a Member of the Board of Directors of WPP since March 2005. Lubna Olayan is a Member of the International Advisory Board of the Council on Foreign Relations, a Member of the Board of Directors of INSEAD and serves on the Board of Trustees of Cornell University and KAUST (King Abdullah University of Science and Technology). In October 2006, Lubna Olayan joined the International Advisory Board of Rolls Royce.

DANTE ROSCINI
Board Member
Dante Roscini teaches Managing International Trade and Investment in the Business, Government and International Economy Department at Harvard Business School. He joined Harvard Business School's faculty in 2008 and has published a number of cases and notes related to sovereign debt, monetary policy, central banking and international investment. Dante Roscini holds an MBA from Harvard and a summa cum laude Laurea degree in Nuclear Engineering from University of Rome, Italy. Before returning to HBS, Prof. Roscini spent 20 years in investment banking with senior positions at three of the top US bulge bracket firms in New York and London.

He was Head of European Capital Markets for Goldman Sachs, Head of Global Equity Capital Markets and Head of the European Capital Markets and Financing Group for Merrill Lynch, where he was also a Member of the Capital Commitments Committee and the Managing Directors Promotions Committee. Finally, he was Country Head of Italy and Chairman of European Capital Markets for Morgan Stanley as well as a Board Member of Morgan Stanley International Bank. Prior to his career in investment banking, Prof. Roscini worked as a Researcher in nuclear archaeometry at University of Rome. He was also formerly a Design Engineer and Project Manager with Westinghouse Electric Corp. in the US and Management Consultant with Boston Consulting Group in Paris.

TOM DE SWAAN
Board Member
Tom de Swaan has worked in the Dutch banking sector for more than 40 years. In 1972, he joined De Nederlandsche Bank NV and served as a Board Member from 1986 to 1998. In January 1999, he took office as Executive Board Member and Finance Director of ABN AMRO Bank. He retired from ABN AMRO Bank in May 2006 but continued to serve as Advisor to the Board of Directors until June 2007. Between 1987 and 1988 he served as President of Amsterdam Financial Center, and from 1995 to 1997 as Head of the Banking Supervision Subcommittee of the European Monetary Institute. He was a Member of the Basel Banking Supervision Committee from 1991 to 1996, its Chairman from 1997 to 1998, and also, an Independent Board Member of the United Kingdom's Financial Services Authority from January 2001 until end-2006. From 2006 to May 2015, he was an Independent Member of the Board of Directors of GlaxoSmithKline Plc. From 2008 to February 2016, Mr. de Swaan was a Member of the Audit Committee at Van Lanschot NV, the holding company of F. van Lanschot Bankiers, an independent Dutch bank. Until December 2015, he served as Chairman of this Committee. Since April 2006, Mr. de Swaan has served as a Board Member at Zurich Insurance Group Ltd. and Zurich Insurance Company Ltd. He was elected Vice Chairman in March 2012 and has served as Chairman since August 2013. Tom de Swaan also served as CEO at the same firm from December 2015 to March 2016.

LORENZO BINI SMAGHI
Board Member
Lorenzo Bini Smaghi holds a Bachelor of Arts in Economics from Université Catholique de Louvain (Belgium) and a PhD in Economics from University of Chicago. He started his career in 1983 as an Economist in the Research Department at Banca d'Italia. In 1994, Mr. Smaghi became Head of the Policy Division of European Monetary Institute. In October 1998, he became General Director of International Financial Affairs at the Italian Ministry of Economy and Finance. From 2001 to 2005, Mr. Smaghi was Chairman of SACE. From June 2005 to December 2011, he served as a Member of the Executive Board of European Central Bank. From 2012 to 2016, Mr. Smaghi was Chairman of the Board of Directors at SNAM (Italy). Since 2015, he has been Chairman of the Board at Société Générale and at Italgas (Italy).

HAKAN BİNBAŞGİL
Board Member

HAYRİ ÇULHACI
Board Member

AHMET FUAT AYLA
Board Member

Executive Management

TOP ROW, FROM LEFT TO RIGHT

Sitare Sezgin
General Manager, AkÖde

Çetin Düz
General Manager, Aklease

Yunus Emre Özben
Executive Vice President, Credit Underwriting

Tolga Ulutaş
Executive Vice President, Digital Banking

Şebnem Muratoğlu
Executive Vice President, Treasury

İlker Altıntaş
Executive Vice President, Technology and Operations

Türker Tunalı
Executive Vice President, Financial Management

Banu Özcan
General Manager, Akbank AG

Mehmet Ali Ersarı
General Manager, Ak Asset Management

BOTTOM ROW, FROM LEFT TO RIGHT

Mert Erdoğmuş
General Manager, Ak Investment

Mehmet Tugal
Executive Vice President, Commercial Banking

Ege Gültekin
Executive Vice President,
Credit Monitoring and Collections

Levent Çelebioğlu
Executive Vice President,
Corporate & Investment Banking

Hakan Binbaşgil
CEO

Burcu Civelek Yüce
Executive Vice President,
Strategy and Human Resources

Bülent Oğuz
Executive Vice President, Retail Banking

Alp Keler, PhD
Executive Vice President,
Private Banking and Wealth Management

Zeynep Öztürk
Executive Vice President, Special Credits

EXECUTIVE MANAGEMENT

Hakan Binbaşgil – Board Member – CEO
Bülent Oğuz – Executive Vice President – Retail Banking
Burcu Civelek Yüce – Executive Vice President - Strategy and Human Resources
Ege Gültekin – Executive Vice President – Credit Monitoring and Collections
Levent Çelebioğlu – Executive Vice President - Corporate & Investment Banking
Tolga Ulutaş – Executive Vice President – Digital Banking
İlker Altıntaş – Executive Vice President – Technology and Operations
Mehmet Tugal – Executive Vice President – Commercial Banking
Türker Tunalı – Executive Vice President – CFO
Alp Keler, PhD – Executive Vice President – Private Banking and Wealth Management
Yunus Emre Özben – Executive Vice President – Credit Underwriting
Zeynep Öztürk – Executive Vice President - Special Credits
Şebnem Muratoğlu – Executive Vice President – Treasury

HAKAN BİNBAŞGİL
Board Member – CEO

BÜLENT OĞUZ
Executive Vice President – Retail Banking

Bülent Oğuz joined Akbank as a Manager in March 2003. He served as Vice President and Senior Vice President of SME and Consumer Banking, respectively. Mr. Oğuz was appointed Executive Vice President in charge of SME Banking in July 2013. Since November 2018, he has served as Executive Vice President – Retail Banking. Before joining Akbank, Mr. Oğuz held various managerial positions in the corporate banking and loans divisions at different private sector banks. Mr. Oğuz is a graduate of Middle East Technical University, Political Science and Public Administration and holds an Executive MBA from Sabancı University.

BURCU CİVELEK YÜCE
Executive Vice President - Strategy and Human Resources

Burcu Civelek Yüce joined Akbank in 2006 and previously served as Senior Vice President of Strategic Management. She was appointed Executive Vice President in charge of Strategy and Human Resources in May 2014. Ms. Yüce's areas of responsibility include human resources, strategic management and branch channel development. Prior to joining Akbank, she worked at international consulting and technology companies. Burcu Civelek Yüce has a B.Sc. degree in Industrial Engineering and an MBA from Boğaziçi University, graduating from both first in rank. She also completed coursework at Harvard Business School and Koç University.

EGE GÜLTEKİN
Executive Vice President - Credit Monitoring and Collections

Ege Gültekin joined Akbank in February 2015 as Executive Vice President in charge of Credit Monitoring and Collections. Before joining Akbank, Ege Gültekin held various senior management positions at different banks and asset management companies. Ege Gültekin is a graduate of Middle East Technical University, Department of Faculty of Economics and Administrative Sciences and holds a Master's degree from Johns Hopkins University, Department of Information and Telecommunication Systems.

LEVENT ÇELEBİOĞLU
Executive Vice President - Corporate & Investment Banking

Levent Çelebioğlu joined Akbank in May 2015 as Executive Vice President in charge of Corporate and Investment Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. Mr. Çelebioğlu is also Chairman of Akbank AG and Ak Investment, two Akbank subsidiaries. Levent Çelebioğlu is a graduate of Dokuz Eylül University, Faculty of Economics, Department of Monetary Economics & Banking.

TOLGA ULUTAŞ
Executive Vice President – Digital Banking

Tolga Ulutaş joined Akbank in September 2016 as Executive Vice President in charge of Digital Banking. Before joining Akbank, Mr. Ulutaş held various senior management positions at different companies. Tolga Ulutaş is a graduate of Istanbul Technical University, Department of Civil Engineering and holds an MBA from San Diego State University in the USA.

İLKER ALTINTAŞ
Executive Vice President – Technology and Operations

İlker Altıntaş joined Akbank in March 2012 as Vice President of IT Enterprise Architecture and later became Senior Vice President of the IT Architecture and Core Banking Department. In January 2017, he was appointed Executive Vice President in charge of Technology and Operations. Before joining Akbank, İlker Altıntaş completed two banking transformation projects during his career as an executive at technology companies, was engaged in developing finance/banking products, and led engineering processes. Mr. Altıntaş is a graduate of Middle East Technical University, Department of Computer Engineering and holds a PhD in Software Engineering from the same university. İlker Altıntaş has published many technical articles for international conferences, journals. In addition, he is a committee member for various national and international conferences.

MEHMET TUGAL
Executive Vice President – Commercial Banking

Mehmet Tugal joined Akbank in September 2005 and worked as Corporate Branch Manager and Senior Vice President of Commercial Banking, respectively. He was appointed Executive Vice President in charge of Commercial Banking in September 2017. Mr. Tugal is also Chairman of Aklease and Vice Chairman of Ak Investment. Prior to joining Akbank, he held various senior management positions at different private sector banks. Mehmet Tugal is a graduate of Bilkent University, Business Administration and holds an MBA from Central Michigan University in the USA.

TÜRKER TUNALI
Executive Vice President – CFO

Türker Tunalı joined Akbank in September 2008 as Senior Vice President in charge of Financial Coordination and International Reporting. Prior to joining Akbank, he has held various managerial positions since 1999. He was appointed Executive Vice President (CFO) in charge of Financial Coordination in October 2017. Türker Tunalı is Vice Chairman of Ak Asset Management, and a Board Member of Aklease and Akbank AG, which are Akbank subsidiaries. Türker Tunalı is a graduate of Boğaziçi University, Department of Business Administration. He has been a CFA (Chartered Financial Analyst) since 2006.

DR. ALP KELER
Executive Vice President – Private Banking and Wealth Management

After serving in senior management positions in the capital markets and asset management departments of various corporations, Alp Keler took office as CEO of Ak Asset Management in 2011. He was appointed Executive Vice President in charge of Private Banking and Wealth Management in January 2018. Mr. Keler is also Chairman of Ak Asset Management. He is a graduate of Middle East Technical University, Civil Engineering Department. Mr. Keler received an MBA from Bilkent University and Master of Law in Economics (LLM) from Galatasaray University. Additionally, he attended the Management Program at Harvard Business School and obtained a PhD in Banking from Marmara University. He is a CFA (Chartered Financial Analyst). Mr. Keler served as chairman, board and audit committee member in various local and global capital market associations.

YUNUS EMRE ÖZBEN
Executive Vice President – Credit Underwriting

After having worked at various institutions since 1996, Yunus Emre Özben joined Akbank in October 2005 as Assistant Manager of Project Finance Department. He was promoted to President in charge of Investment Banking in March 2011. Most recently, in August 2018, he was appointed Executive Vice President – Credit Underwriting. Mr. Özben is a Board Member of Ak Asset Management, a subsidiary of Akbank. Yunus Emre Özben is a graduate of Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He also holds an Executive MBA from Sabancı University.

ZEYNEP ÖZTÜRK
Executive Vice President - Special Credits

Since 1990, Zeynep Öztürk has worked in various companies in the banking industry. In January 2011, she was appointed President of the Corporate and Commercial Loan Monitoring Department and then President of the Department of Commercial Loans Monitoring and Follow Up, and Private Loans Consultancy Department. Most recently, in January 2019, she was appointed Executive Vice President – Special Loans. Zeynep Öztürk is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics and holds an MBA from Bilkent University.

ŞEBNEM MURATOĞLU
Executive Vice President – Treasury

Şebnem Muratoğlu joined Akbank in April 1995 as Assistant Specialist. Ms. Muratoğlu started work in the Risk Management Department in April 2002, became Risk Management Manager in November 2003, President of the Risk Management Department in November 2006, and Chief Risk Officer (CRO) in March 2017. In January 2019, she was appointed Executive Vice President – Treasury. Şebnem Muratoğlu is a graduate of University of Kent (UK), Department of Economics and holds a Master's degree in Finance from Macquarie University (Australia). Since 2003, she has served as the Financial Risk Manager (FRM).

SUBSIDIARIES

K. BANU ÖZCAN
Akbank AG Chairman of the Managing Board and General Manager
K. Banu Özcan was appointed General Manager of Akbank NV in September 2001. Following the merger of Akbank NV and Akbank AG, she was appointed Chairman of the Managing Board and General Manager of Akbank AG as of June 2012. Prior to joining Akbank, Ms. Özcan held various positions at BNP-AK-Dresdner Bank A.Ş. and other overseas financial institutions. A graduate of Ludwig-Maximilians University, Department of Business Administration, Ms. Özcan serves as a Member of the Board of Directors of the Association of Foreign Banks in Germany. In May 2014, K. Banu Özcan was appointed by Dr. Jens Weidmann, President of Deutsche Bundesbank (German Central Bank), as Advisory Board Member of Deutsche Bundesbank, Regional Office in Hessen for a period of three years. In November 2014, K. Banu Özcan was also appointed by Frankfurt Mayor Peter Friedman as International Frankfurt Trade Ambassador for 2015 and 2016 in order to expand Frankfurt's trade relations and promote the city.

ÇETİN DÜZ
Aklease General Manager
In January 2019, Çetin Düz was appointed General Manager of Aklease. Between July 2015 and January 2019, he served as Executive Vice President in charge of Credits at Aklease. Prior to joining Aklease, Çetin Düz worked at Akbank's Board of Internal Auditors for 11 years, most recently as its Vice President. Mr. Düz holds a Bachelor's degree in Political Science and International Relations from Boğaziçi University and an Executive MBA from Sabancı University.

MERT ERDOĞMUŞ
Ak Investment General Manager
Mert Erdoğmuş was appointed General Manager of Ak Investment in January 2015. Prior to joining Ak Investment, he held various positions at banks and financial institutions for more than 20 years. Mert Erdoğmuş is a graduate of Istanbul University, Department of Business Administration and holds an MBA from Bloomsburg University of Pennsylvania in the USA.

MEHMET ALİ ERSARI
Ak Asset Management General Manager
Mr. Ersarı is a graduate of Middle East Technical University, Department of Civil Engineering. He received a Master's degree in Civil Engineering from the same university and an MBA from Bilkent University. Prior to joining Ak Asset Management as Assistant General Manager in 2008, he served as Treasury Director at Royal Bank of Scotland. Mehmet Ali Ersarı worked in senior management for more than 20 years at leading institutions in the finance sector.

SİTARE SEZGİN
AkÖde General Manager
Sitare Sezgin, who is an ACI graduate, completed her undergraduate education at Bilkent University. Department of Business Administration in 1997 with a full scholarship. Subsequently, she completed the finance-focused Master of Business Administration program at UMIST/ Manchester Business School, with a British Council scholarship. Ms. Sezgin started her career as Management Consultant at Bain & Company in 1999. She went on to work as Senior Consultant at Boston Consulting Group until 2004. Between 2004 and 2009, Ms. Sezgin served as Strategy and Business Development Manager of the Food and Retail Group at Sabancı Holding A.Ş., and then as President of Product and Channel Development at Akbank. She was the General Manager of Back-Up & Back-Up Travel from February 2011 onwards, before becoming General Manager at Webloyalty in 2014. From March 2016 to 2018, Sitare Sezgin served as Independent Board Member at Carrefoursa and AvivaSA. She has worked as General Manager at AkÖde since March 2018.

CHANGES IN THE ORGANIZATIONAL STRUCTURE DURING THE YEAR

In the new Board of Directors elected at the Ordinary General Assembly Meeting held on March 26, 2018, Kemal Özgür Demirtaş replaced Erol Sabancı as Board Member.

As of August 28, 2018, Yunus Emre Özben was appointed Executive Vice President – Credit Underwriting, to replace Hasan Recai Anbarcı, who resigned from this position on August 14, 2018.

On November 22, 2018, Arif İsfendiyaroğlu resigned from his position as Executive Vice President in charge of Retail Banking. As of the same date, the Retail Banking and SME Banking Business Units were merged under the name Retail Banking Business Unit. Bülent Oğuz, Executive Vice President – SME Banking, was appointed Executive Vice President – Retail Banking.

On January 4, 2019, Zeynep Öztürk was appointed Executive Vice President in charge of the recently created Special Loans Business Unit.

As of January 8, 2019, Gamze Şebnem Muratoğlu was appointed Executive Vice President responsible for Treasury Business Unit, replacing Ali Batu Karaali, who resigned from this position on January 7, 2019.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE
The Audit Committee conducts auditing and oversight activities on behalf of the Board of Directors. Specifically, the Audit Committee assists the Board of Directors in executing its responsibilities with regard to the matters stipulated below:

- Ensuring the effectiveness and adequacy of the internal control, risk management and internal audit systems,
- Overseeing the functioning of the internal control, risk management, internal audit, accounting and reporting systems in compliance with related legislation as well as the integrity of the resulting information,
- Conducting the initial assessment to assist the Board of Directors in selecting independent auditors and regularly monitoring the activities of the independent auditors selected by the Board of Directors,
- Ensuring that the internal audit activities of companies that are subject to consolidated audit under the Banking Law are conducted on a consolidated basis and facilitating their coordination,
- Notifying the Board of Directors of issues that may undermine the sustainability and credibility of the Bank's business and/or may lead to breach of applicable law and internal regulations of the Bank.

The Audit Committee receives regular reports from all units created under the internal control, internal audit and risk management systems as well as from independent auditors regarding execution of their respective duties. It is incumbent on the Committee to notify the Board of Directors of issues that may undermine the sustainability and credibility of the Bank's business and/or lead to breach of applicable law and internal regulations of the Bank. The Bank's subsidiaries have also formed audit committees. Akbank's Audit Committee monitors the operations and activities of the subsidiaries' audit committees.

Unless excused, all Committee members attend the scheduled meetings. Audit Committee members do not have a set term of office. The Audit Committee convenes at least four times each year.

Hayri Çulhacı
Chairman (Vice Chairman and Executive Board Member)

Yaman Törüner
Member (Board Member)

BACKGROUND INFORMATION OF EXECUTIVES IN CHARGE OF INTERNAL SYSTEMS UNITS
Please see page 66 of the Annual Report for background information of the Board Member in Charge of Internal Systems Units, Hayri Çulhacı.

Eyüp Engin
Head of Internal Audit
Please see page 68 of the Annual Report for Eyüp Engin's background information.

Savaş Külcü
Head of Internal Control and Compliance
Savaş Külcü started serving on the Board of Internal Auditors in 1998 as Internal Auditor, went on to become Deputy Head of the same board in 2006, and then Head of Internal Control and Compliance in 2016. He received his Bachelor's degree from Boğaziçi University, Department of Economics and obtained an MBA from Sabancı University.

Galip Berker
Chief Risk Officer Deputy
Galip Berker started his banking career as a Commercial Customer Representative at a private bank in 1998 and later worked at various other banks in the areas of Audit and Risk Management. In January 2018, Mr. Berker joined Akbank as Head of the Credit and Model Risk Management Department. He received his Bachelor's degree from Boğaziçi University in Political Science and International Relations, and is currently pursuing an MBA at Özyeğin University.

Josh Ellis
Chief Information Risk Officer
Josh Ellis joined Akbank in June 2017 as Chief Information Risk Officer. His areas of responsibility include information security, cyber security, fraud risk management, information risk management and information risk controls. Prior to joining Akbank, he held various senior management positions at various organizations. Josh Ellis is a graduate of University of London.

CREDIT COMMITTEE
The Credit Committee is the ultimate executive body to ratify lending decisions. The Committee assesses loan proposals that are cleared by headquarters in terms of their compliance with legislation, banking principles and objectives, and lending policies of the Bank. Credit Committee members do not have a set term of office. The Credit Committee convenes on an as-needed basis.

Ahmet Fuat Ayla
Chairman (Executive Board Member)

Hayri Çulhacı
Member (Vice Chairman and Executive Board Member)

Hakan Binbaşgil
Member (Board Member and CEO)

APPRAISAL SUBCOMMITTEE
An Appraisal Subcommittee was instituted at the headquarters level to support the Credit Committee and to conduct an initial assessment of loan applications submitted by the Bank's branches.

The Appraisal Subcommittee aims to perform initial screening in accordance with the approval criteria of the Credit Committee, thereby boosting the efficiency and speed of the procedure. At the same time, the Subcommittee acts as a bridge between the branches and the Credit Committee in order to provide closer supervision and clearer direction for the branches.

Ahmet Fuat Ayla
Member (Executive Board Member)

Emre Özben
Member (Executive Vice President – Credit Underwriting)

Depending on the loan type, the Executive Vice President of the relevant business unit attends the Appraisal Subcommittee as a member.

EXECUTIVE RISK COMMITTEE
The Executive Risk Committee is responsible for developing risk policies, determining appropriate methods for measurement and management of risks, setting commensurate risk limits and monitoring their performance. All risk policies formulated are documented in writing and incorporated with the overall long-term strategy of the Bank. The Committee convenes at least four times each year.

Hayri Çulhacı
Chairman (Vice Chairman and Executive Board Member)

Ahmet Fuat Ayla
Member (Executive Board Member)

Hakan Binbaşgil
Member (Board Member and CEO)

CORPORATE GOVERNANCE COMMITTEE
The duties, authorities and responsibilities of the Corporate Governance Committee include:

- Attaining, overseeing and communicating the Bank's compliance with the Corporate Governance Principles,
- Scoping and overseeing relationships with investors as well as authorized bodies such as the Capital Markets Board (CMB) and Borsa Istanbul (BIST),
- Ensuring and overseeing the establishment of an honest and transparent communications platform with the Bank's stakeholders,
- Formulating the Code of Ethics and overseeing compliance,
- Supervising the activities of the Shareholder Relations Unit,
- Creating a transparent system for determining, evaluating and training suitable candidates for the Board of Directors, and conducting efforts to determine policies and strategies related to this issue,
- Monitoring, auditing and reporting remuneration practices are conducted by Members of the Remuneration Committee on behalf of the Board of Directors,
- Determining, maintaining and monitoring policies regarding all corporate social responsibility projects, including culture and art activities,
- Ensuring and supervising that the Bank's Annual Report, website, and similar publicity channels are prepared in conformity with the Corporate Governance Principles,
- Supervising the preparation of the Sustainability Report,
- Ensuring and supervising that necessary actions are taken to protect the Bank's brand and reputation.

The Corporate Governance Committee convenes twice a year.

Hayri Çulhacı
Chairman (Vice Chairman and Executive Board Member)

Yaman Törüner
Member (Board Member)

Aziz Aykut Demiray
Member (Board Member)

Türker Tunalı
Member (CFO – Responsible for Investor Relations)

Board Members Hayri Çulhacı and Yaman Töruner are also Members of the Remuneration Committee.

ASSET-LIABILITY COMMITTEE (ALCO)
The Asset-Liability Committee (ALCO) is a subcommittee presided over by the CEO that is responsible for daily liquidity and cash management. ALCO convenes twice weekly to review developments in the economy and in the markets. In addition, ALCO is charged with developing investment, pricing and funding strategies as well as making decisions related to daily liquidity management.

Unless excused, all Committee members attend the scheduled meetings.

Hakan Binbaşgil
Chairman (CEO)

Türker Tunalı
Member (CFO)

Şebnem Muratoğlu
Member (Executive Vice President – Treasury)

Mehmet Tugal
Member (Executive Vice President – Commercial Banking)

Bülent Oğuz
Member (Executive Vice President – Retail Banking)

Levent Çelebioğlu
Member (Executive Vice President – Corporate and Investment Banking)

Alp Keler, PhD
Member (Executive Vice President – Private Banking and Wealth Management)

Representative from Risk Management Department

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Akbank maintained a leading position in the Turkish banking industry in 2018 thanks to a robust balance sheet, effective risk management, a customer- oriented approach and deep, long-standing international relationships. In 2018, Akbank's consolidated pre-tax profit reached TL 7,136 million, while consolidated net profit increased to TL 5,709 million. Akbank's return on equity and return on assets were actualized as 13.6% and 1.6%, respectively in 2018.

Akbank's total consolidated assets stood at TL 355 billion, lending at TL 214 billion, and deposits at TL 209 billion.

With its capital adequacy ratio hovering at a lofty 16.8%, Akbank stood well over the recommended ratio of 12% in the Turkish banking industry.

The Bank's objective is to create sustainable and high value for shareholders in every segment of the banking industry. Akbank will continue to undertake initiatives and investments with its sustainability strategy, which was at the heart of its successful performance 2018, and strive to grow in a productive manner in the coming period.

We would like to thank our employees, as well as our shareholders and social stakeholders for their contributions and support.

OUTSOURCED SERVICES

Pursuant to the Regulation on Bank Procurement of Support Services, Akbank procured support services from 68 firms in 101 areas including archive, call center, security, card production and card personalization, courier, operational services, marketing and information systems services such as software, software maintenance/repair, patch and product development, as of year-end 2018. The firms and their fields of operation are presented in the below table.

In addition to the said firms and services, Akbank received support service from 668 dealers (1,222 stores) for retail credit marketing.

Archive Services
Hobim Bilgi İşlem Hizmetleri A.Ş.
Marmara Sosyal Hizm. Turz. Tic. ve San. A.Ş.
Call Center Services
Atos Müşteri Hizmetleri A.Ş.
CMC İletişim ve Çağrı Merkezi Hizm. A.Ş.
Collecturk Alacak Yönetimi ve Danışmanlık A.Ş. (Collection)
COMDATA Teknoloji ve Müşteri Hizmetleri A.Ş.
Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.
Sestek Ses ve İletişim Bilgisayar Teknolojileri San. Tic. A.Ş.
Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. (CALLPEX)
Security Services
Tepe Savunma Güvenlik Sistemleri A.Ş.
Card Production and Card Personalization
Austria Card Turkey Kart Operasyonları A.Ş.
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.
Plastikkart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.
Courier Services
Aktif İleti ve Kurye Hizmetleri A.Ş.
Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.
Operational Services
Adecco Hizmet ve Danışmanlık A.Ş.
Bilkay Danışmanlık ve Destek Hizmetler A.Ş. (Bilkay Bilgi Kayıt ve Org. Tic. Ltd. Şti.)
Desmer Güvenlik Hiz. Tic. A.Ş.
Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Hobim Digital Elektronik Hizmetler A.Ş.
MTM Holografi Güvenlikli Basım ve Bilişim Tekn. San. Tic. A.Ş.
Marketing Services
Eksen Pazarlama ve Satış Dan. A.Ş. (Tribal)
Software, Software Maintenance/Repair, Patch and Product Development
Adesso Turkey Bilgi Teknolojileri Ltd. Şti.
Asseco See Teknoloji A.Ş.
Bilişim Bilgisayar Hizmeti Ltd. Şti. (Banksoft)
Biznet Bilişim Sistemleri ve Danışmanlık Sanayi Tic. A.Ş.
DIP Bilgisayar Yazılım Ticaret Ltd. Şti.
EGA Elektronik Güvenlik Altyapı A.Ş.
Eretim Bilgisayar Hizmetleri ve Dan. Ltd. Şti.
Etcbase Yazılım ve Bilişim Teknolojileri A.Ş.
Finastra (Misys PLC)
Fineksus Bilişim Çözümleri Tic. A.Ş. (Eastern Networks Çözümleri Tic. A.Ş.)

OUTSOURCED SERVICES

Software, Software Maintenance/Repair, Patch and Product Development
Foreks Bilgi İletişim Hizmetleri A.Ş.
Genbil Yazılım Ticaret ve Sanayi A.Ş.
Genex Yazılım A.Ş. (Geneks International Yazılım ve İletişim Teknolojileri Ltd. Şti.)
IBM Global Services İş ve Teknoloji Hizmetleri Tic. Ltd. Şti.
Infina Yazılım A.Ş.
Ingenico Ödeme Sistem Çözümleri A.Ş.
Innova Bilişim Çözümleri A.Ş
Innovera Bilişim Teknolojileri A.Ş.
Itelligence Bilgi Sistemleri A.Ş.
IX Future Yazılım Tekn. San. ve Tic. Ltd. Şti.
Karbil Yazılım ve Bilişim Teknolojileri Tic. A.Ş.
Kartek Kart ve Bilişim Teknolojileri Tic. A.Ş.
Key Yazılım Çözümleri A.Ş. (Key Internet Hizmetleri Bilgisayar Yazılım, Donanım, Mühendislik, Müşavirlik San. ve Tic. Ltd. Şti.)
Kibele İletişim Sistem ve Servisleri Tic. Ltd. Şti.
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.
Logo Elektronik Ticaret Hizmetleri A.Ş.
Logo Yazılım Sanayi ve Tic. A.Ş.
Mastercard Payment Transaction Services Turkey Bilişim Hizm. A.Ş. (Provus Bilişim Hizmetleri A.Ş.)
Mirsis Bilgi Teknolojileri Ltd. Şti.
NCR Bilişim Sistemleri Ltd. Şti.
Netaş Telekominikasyon A.Ş. (BDH Bilişim Destek Hizmetleri San. ve Tic. A.Ş. Subcontractor)
Netlab Arge Yazılım Hizmetleri Ticaret A.Ş.
Netlab Uluslararası Bilgi İşlem ve Haberleşme Hizmetleri Sanayi ve Tic. A.Ş. (MagiClick)
Novosoft Yazılım Teknolojiler Bilişim Sanayi ve Tic.A.Ş
OBSS Bilişim Bilgisayar Hiz. Dan. San. Tic. Ltd. Şti.
Prozek Bilişim Çözümleri Ltd. Şti.
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (Bimsa Uluslararası İş Bilgi ve Yönetim Sistemleri)
Smartiks Yazılım A.Ş. (Smartiks Bilgi Teknolojisi A.Ş.)
Smartin Bilgi Teknolojileri Hiz. Tic. Ltd. Şti.
Sorun Bilgi Teknolojileri A.Ş.
Spark Bilgi İşlem Sistemleri San. ve Tic. A.Ş.
UCS Bilişim Sist. Ltd. Şti.
Uzman Bilişim Danışmanlık A.Ş.
Vega Bilgisayar Hizmetleri Ltd. Şti.
Verifone Elektronik ve Danışmanlık Ltd. Şti.
Veripark Yazılım A.Ş. (V.R.P Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.)
Zenn Bilişim Teknolojileri San. ve Tic. Ltd. Şti.

RELATED PARTY TRANSACTIONS

Pursuant to the Banking Pursuant to the Banking Law, related-party transactions of the Bank cover all arms-length banking transactions in the scope of ordinary bank-customer relationship under the prevailing market conditions. Detailed disclosures on these dealings can be found in Note VII of Section 5 in the publicly-announced Unconsolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report, prepared as of December 31, 2018. In addition, the aforementioned information can also be found in Note VII of Section 5 in the Consolidated Financial Statements, Notes to these Financial Statements and the Independent Auditor's Report.

AFFILIATION REPORT

The Board of Directors of Akbank has issued an Affiliation Report regarding the relations with Company's controlling shareholder and associate companies of the controlling shareholder in 2018 Activity Period. The conclusion of this report is given below as per the 199th Article of Turkish Commercial Code of n.6102.

Necessary explanations about the transactions between Akbank and the related parties are available in Footnote VII in Section Five of the Explanations and Footnotes Regarding the Consolidated Financial Statements. The Report issued by the Board of Directors of Akbank states: "The legal transactions our Bank has carried out with the parent company Hacı Ömer Sabancı Holding A.Ş. and Sabancı Group Companies are listed above. There is no financial loss in our Bank resulting from the fact that it is a member of the group Companies. All transactions have resulted in conformity with market examples, within the framework of an ordinary customer relationship."

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I- DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance, transparency and commitment to ethical values have always been a top priority for Akbank.

Akbank's pioneering firsts in corporate governance include:

- First bank to disclose its dividend policy (2003),
- First bank to state its Corporate Governance Principles in its Annual Report (2003),
- First bank to publish its Corporate Governance Principles on its website (2004),
- First bank to buy back its founders' shares (2005),
- First Turkish bank to be a signatory to the United Nations Global Compact (2007),
- First bank to publish its Global Compact Report (2010),
- Pioneer in its support of the launch of the Carbon Disclosure Project (CDP) in Turkey (2010),
- First deposit bank to publish a sustainability report in accordance with Global Reporting Initiative (GRI) standards (2010),
- First Turkish company included in the Global 500 Report of the Carbon Disclosure Project (2010),
- The Bank issued its Digital Reliability Principles (2018).

The core corporate governance principles that regulate the relationships between Akbank's management, shareholders, employees and third parties (i.e. customers, legal authorities, suppliers, and all types of individuals and institutions which the Bank does business with) are stipulated below.

Integrity

The Bank remains committed to the principle of integrity in its activities, operations and relationships with all of its stakeholders and other parties.

Credibility

Aware that customer confidence lies at the heart of banking, Akbank provides customers and all other stakeholders with clear, comprehensible and accurate information and offers timely and comprehensive services in line with the promises made by the Bank.

Non-discrimination

Akbank refrains from harboring prejudice against stakeholders based on gender, behavior, opinion or ethnic origin and does not discriminate against anyone under any condition or circumstance.

Compliance

Akbank abides by all laws, regulations and standards.

Transparency

Except for the information deemed commercial secret, the Bank informs customers and the public at large thoroughly, accurately and promptly.

Pursuing Public Interest and Respect for the Environment

In all of its activities, practices and investments, Akbank acts to safeguard its image, interest and profitability as well as public interest, development of the banking industry, sustainability and the continuation of confidence in the sector while complying with laws and regulations related to the environment, consumer rights and public health.

Having adopted the Corporate Governance Principles stipulated in the Banking Legislation, Capital Markets Board and Turkish Commercial Code, the Bank pays utmost attention to implementing these principles. The Bank has achieved compliance with the compulsory articles of the Corporate Governance Principles issued by the Capital Markets Board in the Official Gazette n.28871 on the date 03.01.2014. In addition, activities are ongoing for compliance with the non-compulsory principles.

The 2018 Corporate Governance Compliance Report and Corporate Governance Information Form, drafted in keeping with the new reporting format announced in CMB's Resolution dated 10.01.2019 and numbered 2/49, was separately published on the Public Disclosure Platform on March 1, 2019.

SECTION II- SHAREHOLDERS

2. Investor Relations Division

Akbank management strives to be in transparent and close communication with shareholders. To attain this goal, Akbank management has embraced the principle of equal treatment of all shareholders. The primary objective is to make Akbank shares an attractive and predictable investment vehicle for both existing shareholders and potential investors.

An Investor Relations Group was established in 1996 to manage and reinforce the Bank's relations with shareholders. Moreover, there is a Financial Coordination and Reporting Department in Akbank in order to facilitate pursuing shareholders' rights.

The director who has administrative responsibilities in the Investor Relations and Sustainability Department and the Financial Coordination and Reporting Department is: Türker Tunalı, Executive Vice President - CFO turker.tunali@akbank.com.

Türker Tunalı who has "Capital Markets Activities Advanced Level License" and "Corporate Governance Rating Specialist License," was appointed as a Member to the Corporate Governance Committee.

The Investor Relations Activity Report was presented to the Board of Directors in February 2018.

Financial Coordination and Reporting Department

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Investor Relations and Sustainability Department

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Main Tasks of the Financial Coordination and Reporting Department:

- Regarding the General Assembly meetings, preparing the documents that will be presented for the information and review of the shareholders and taking necessary measures to ensure that the General Assembly meeting will be held in conformity with the relevant legislation, Articles of Association and other internal regulations of the corporation;
- Performing capital increase procedures;
- Conducting dividend payment procedures;
- Providing timely responses to inquiries related to Company shares;
- Ensuring that necessary amendments are made to the Articles of Association in compliance with relevant legislation;
- Announcing all kinds of news that may have an impact on the exercise of shareholders' rights, regularly via the Public Disclosure Platform (www.kap. gov.tr) as material disclosures.

The primary duties of the Investor Relations and Sustainability Department include:

- Administering relationships with current and potential institutional investors and credit rating agencies;
- Establishing communication between the Board of Directors and shareholders, responding to the questions of shareholders, and reporting shareholder opinions to the Board of Directors on a regular basis;
- Keeping regular, secure, and up-to-date records of the correspondence made between the investors and the corporation and other information and documents;
- Announcing developments related to Akbank and the Bank's periodic financial statements to shareholders in a timely fashion and keeping the investor relations section of the Akbank website up-to-date;
- Preparing introductory presentations about the Bank, posting these on the website, and participating in investor meetings and conferences in Turkey and abroad;
- Undertaking initiatives to improve the Bank's Corporate Governance practices, overseeing and monitoring the fulfilment of the obligations arising from the Capital Markets legislation including corporate governance and public disclosure all relevant issues.

The Investor Relations and Sustainability Department is responsible for conveying the performance and strategies of the Bank to current and potential investors in the most accurate and transparent manner. In addition, the Department plays an active role in safeguarding shareholding rights and facilitating their exercise, particularly the right to obtain and examine information.

Investor Relations and Sustainability Department produced a video web cast at the beginning of 2018 explaining the budget targets. In addition, in 2018, a total of 5 web-casts were held with the participation of senior management, 4 about financial results and 1 about the capital increase, all of them featuring a Q&A session. Furthermore, the Bank participated in a total of 23 domestic and foreign investor conferences in 2018, and met with 314 international investor funds and two rating agencies. In addition, questions communicated by investors and analysts via telephone and e-mail were also answered. In addition, the Department responded to more than 500 inquiries from investors and analysts via telephone and e-mail.

3. Exercise of Shareholders' Right to Information

Written and verbal information requests made by the corporate investors and shareholders are evaluated by the Investor Relations and Sustainability Department and Financial Coordination and Reporting Department under the structure of Financial Management Business Unit. All questions that do not interfere with trade secrets are answered by these departments within the scope of equality principle while continuous communication is achieved between the management and shareholders.

All news that may impact the exercising of shareholders' rights, is regularly announced via the Public Disclosure Platform (www.kap.gov.tr) in Turkish and English as "material event disclosures." Moreover, there is a link on the Bank's website to the Public Disclosure Platform.

Akbank maintains an investor relations website in Turkish and in English, which was updated regularly during 2018. In addition, the website on sustainability came on air, in both Turkish and English.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Furthermore, there is an "Akbank IR" application for the iOS and Android operating systems with Turkish and English language options.

Since the Bank implements the provisions of the Turkish Commercial Code in relation to appointment of a special auditor, this issue has not been provided for in a separate article in the Articles of Association. There was no request for appointment of a special auditor during the period.

4. General Assembly Meetings
During the reporting period (January 1, 2018-December 31, 2018), one Ordinary General Assembly meeting was held. The participation rate at the Ordinary General Assembly meeting was 77.5% and all stakeholders wishing to attend the meeting were able to do so. Invitation to the General Assembly meeting held during the period was published in the Turkish Trade Registry Gazette.

The invitation to the General Assembly meeting is published at least three weeks prior to the General Assembly meeting in the Turkish Trade Registry Gazette, on the Bank's website, on the Public Disclosure Platform (www.kap.gov.tr), on the e-YÖNET Corporate Governance and Investor Relations Portal (www.mkk.com.tr), e-ŞİRKET Aggregate Corporation Portal (www.mkk.com.tr) and on the e-GENEL KURUL Electronic General Assembly System (www.mkk.com.tr); and in accordance with the procedures stipulated by law in order to reach as many shareholders as possible.

The Annual Report is made available to shareholders three weeks prior to the General Assembly meeting on the Bank's website and at the Financial Coordination and Reporting Department, as well as at the Bank's Ankara commercial, Adana commercial, and Izmir branches. In addition, the matters stipulated in Article 1.3.1 of the Capital Markets Board's Corporate Governance Principles are announced to the shareholders alongside the invitation to the General Assembly on the Bank website.

The agenda of the General Assembly is drafted so as not to provoke conflicting interpretations. Matters transmitted by shareholders to the Investor Relations and Sustainability Department in writing to be included in the agenda are taken into consideration by the Board of Directors. During the accounting period, shareholders did not proffer a suggestion falling outside of the agenda items.

Agenda items are presented in a clear and comprehensible manner at the General Assembly. Shareholders exercise their right to pose questions and all questions are answered unless they pertain to commercial secrets.

Members of the Board of Directors who are the subject matter experts on the agenda items, other relevant persons, officials who have a responsibility in the preparation of the financial statements, and the statutory auditors attend the General Assembly meeting to provide the necessary briefings and to address any questions. At the Ordinary General Assembly held during the accounting period, shareholders did not pose any questions. Yılmaz Mete, one of the Bank's shareholders, took the floor and expressed his opinions on the balance sheet and income statement.

Provisions of the Articles of Association provide for voting by proxy. Shareholders may cast their vote at General Assembly meetings either in person or through another person, whether a shareholder or not. Members of the media do not attend the Bank's General Assembly meetings.

General Assembly meetings are held at the Akbank Head Office building (Sabancı Center) in order to increase the participation of shareholders while ensuring their attendance at the lowest possible cost. Those eligible to attend the Bank's General Assembly meetings can also participate in these meetings and cast their votes through the electronic General Assembly system.

Donations and charitable contributions during the reporting period are made to various associations, foundations and organizations; their amounts are presented at the General Assembly as a separate agenda item.

General Assembly meeting resolutions
General Assembly meeting resolutions are made available to shareholders on the Public Disclosure Platform (www.kap.gov.tr), the e-YÖNET Corporate Governance and Investor Relations Portal (www.mkk. com.tr), e-ŞİRKET Aggregate Corporation Portal (www.mkk. com.tr) and e-GENEL KURUL Electronic General Assembly System (www.mkk.com.tr), and on the Bank websites.

5. Voting Rights and Minority Rights
Akbank avoids practices that obstruct the exercise of voting rights and provides all shareholders with equal, easy and convenient voting opportunities. The Articles of Association do not provide for privileged voting rights. The Bank is not in a cross-shareholding relationship with any company. The cumulative voting method is not used at Akbank.

There are no members elected by the minority rights in the Board of Directors. Minority rights are specified no less than one twentieth of the Bank's capital in the Articles of Association of the Bank. Furthermore, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

6. Right to Dividend
There are no privileges in the sharing of the Bank's profit. The principles of Akbank's profit distribution are stated on the website, in Article 82 of the Bank's Articles of Association and in the Annual Report.

After setting aside 5% of the profit as legal reserve and an amount equal to 5% of the paid-in capital to shareholders as the first dividend. The General Assembly is authorized to decide whether to distribute the remaining profit entirely or partially to shareholders, or to set it aside as an extraordinary reserve.

The dividend proposal is prepared in accordance with the provisions of the Turkish Commercial Code, the Banking Regulation and Supervision Agency of Turkey, Capital Markets Board of Turkey and the Bank's Articles of Association; the proposal is presented to the General Assembly for approval. The dividend distribution is completed within the legal deadline.

Akbank publicly announced its dividend distribution policy as: "provided that no adverse conditions exist regarding domestic and/or global economic circumstances and that the Bank's capital adequacy ratio remains at the targeted level, distributing to its shareholders in cash or share up to 40% of the Bank's distributable profit."

During the reporting period, the Bank distributed TL 1,600 million to its shareholders as gross cash dividends.

7. Transfer of Shares
No provision exists in the Bank's Articles of Association that restricts transfer of shares.

SECTION III-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Disclosure Policy
In accordance with the Capital Market Law and Corporate Governance Principles, the Information Disclosure Policy was formulated and approved by the Board of Directors and announced to the public on the Company website. The Board of Directors has the authority and the responsibility to supervise, oversee and improve the public disclosure and information dissemination policy of Akbank.

The Bank has tasked the Financial Coordination and Reporting Department Directorate and the Investor Relations and Sustainability Department, jointly serving as the Investor Relations Division under the Financial Management business unit and the Corporate Communications Department, to supervise and oversee all matters pertaining to public disclosures.

Persons responsible for administering the Information Disclosure Policy are:
Hakan Binbaşgil, Chief Executive Officer,
Türker Tunalı, Executive Vice President - Chief Financial Officer.

Publicly disclosed information is announced for public use via the Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website in a timely, correct, complete, comprehensible, interpretable, economical and accessible manner for the entities that will make use of the announcement to make a decision. Moreover, the e-YÖNET: Corporate Governance and Investor Relations Portal of the Central Registry Agency is used for informing the investors.

Information about the future of the Bank, available on page 96 of the Annual Report, was announced via Public Disclosure Platform.

Public disclosure of the evaluations about the future is made in conformity with the provisions of the relevant legislation.

9. Company Website and Its Content
The Bank maintains a website in Turkish and in English.

Information on the website is presented in accordance with the provisions of relevant legislation and is kept up-to-date.

The website contains information stipulated in the Capital Markets Board's Corporate Governance Principles; accordingly, the main categories of information that can be found on the website include:

- Information about members of the Board of Directors and Executive Management,
- Board of Directors Committees,
- International Advisory Board,
- Detailed information about the Bank's corporate identity,
- Corporate Governance Principles Report,
- Ethical Principles,
- Commercial registry information,
- Capital Information,
- Shareholder and management structure,
- Up-to-date Articles of Association,
- Material disclosures,
- Annual Reports, periodic financial statements and reports,
- Agendas and meeting minutes of General Assembly meetings,
- List of attendees at the General Assembly,
- Voting forms,
- Bribery and corruption policy,
- Dividend distribution policy, history and capital increases,
- Prospectuses and circulars,
- Information Disclosure Policy,
- Compensation Policy,
- Donation and Aid Policy,
- Employee indemnity policy,
- Policy of Compliance with Financial Crimes Investigation Board of Turkey (MASAK) regulations,
- Digital Trust Principles,
- Gift and Welcoming Policy,
- General Assembly Internal Resolution,
- General Assembly Information Document,
- Frequently asked questions,
- Annual Reports and financial information for at least the last five years.

are available on the Bank website. The address of the Akbank website appears on the letterhead of the Bank.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

10. Annual Report
The Annual Report is prepared in accordance with the principles stipulated in the relevant legislation in sufficient detail that allows the public at large to have complete and accurate information about the Bank's activities.

SECTION IV- STAKEHOLDERS

11. Informing Stakeholders
Aware that one of the core principles of its corporate responsibility is ongoing dialogue with all its stakeholders, Akbank strives to establish regular, continuous and trust-based communications with its stakeholders by taking heed of their expectations and opinions. Akbank's website, Akbank IR App, public disclosures, Akbank branches, the Call Center, social media (e.g. Twitter, Facebook), other media, advertising and public relations campaigns, the Annual Report and the Sustainability Report are the most important platforms used by the Bank to keep stakeholders informed. In addition, two-way dialogue platform samples developed exclusively for each stakeholder group to elicit their feedback and to enter into dialogue with them are available in the Sustainability Report accessible at this link: https://www.akbank.com/tr-tr/Yatirimci-iliskileri/Sayfalar/Surdurulebilirlik-Raporu.aspx

Akbank's "Ethical Principles" document, which stipulates relationships with stakeholders by group type, is also posted on the Bank website.

Akbank shares with its employees all information pertaining to the Bank's activities in every area, including new product and service offerings, messages from the management, corporate goals and strategies, brand communications activities and business conduct. Sharing of this information with personnel takes place in a rapid and effective manner beyond a paper medium over the Bank's Corporate Portal.

Akbank established an "Ethics Line" to enable employees to raise their concerns about issues that they believe cannot be resolved within their business units, or for whatever reasons cannot be taken to their colleagues/business line managers. The dedicated phone line provides personnel with support and advice when necessary in such circumstances. All calls received by the Ethics Line are reported to the Board of Internal Auditors.

Actions in breach of legislation or ethical rules communicated by the stakeholders are reported to the Director of Internal Systems via the Board of Internal Auditors, Internal Control and Compliance Department, Information Risk Management Department, and the Risk Management Department. Major matters are reported to the Internal Systems Officer.

12. Participation of Stakeholders in Management
Akbank elicits the opinions of its stakeholders through an integrated platform via the channels of the Call Center, Bank branches, Contact Us Communication Form on the website, e-mail, facsimile and postal mail. Additionally, in accordance with the Bank's policy of ensuring customer satisfaction in every channel, customer expectations and demands expressed on complaint websites, as well as on social media platforms such as Facebook and Twitter, are also reviewed and assessed by the Bank.

Akbank monitors the level of customer satisfaction via periodic surveys and on social media channels on a regular basis and plans and rapidly implements actions in areas conducive to improvement based on the opinions and suggestions expressed by customers.

In addition, participation of employees in management is always encouraged and their innovative ideas for improving and expanding the Bank's business are forwarded to the related management functions via the suggestion system; there, suggestions are evaluated carefully and rewarded when deemed appropriate. In order to establish effective and efficient labor relations and foster team spirit, the Bank regularly engages in social responsibility activities that increase personnel communications and that facilitate teamwork.

13. Human Resources Policy
Since its founding, Akbank has achieved great success with its top quality human capital. As the business world and human resources are rapidly transforming today, Akbank designs all its business practices to be the pioneer of this transformation. While preparing for the future, Akbank acts with the belief that development-oriented, innovative and versatile human resources are its most important asset and strategic partner. All human resources practices are centered on the employee experience.

The Human Resources Department aims to recruit innovative and visionary young talent in line with the Bank's strategies, values and vision. The Department also is charged with placing recruits in areas where they will create the most added value for the organization and for themselves, in addition to supporting and sustaining Akbank employees' continuous development.

When managing its human capital, the architect of the Bank's past accomplishments as well as the pillar of its future achievements, strives to uphold the core principles of equal opportunity, fair assessment and transparency.

The main pillars of the Human Resources roadmap include:
- Continuous development of work modes and roles in parallel with the business expectations/requirements of the future,
- Transformation of employees' learning experience into a personal development journey,
- Proactive and participatory development planning that upholds a multi-faceted employee experience,
- Investment in Akbank and its employees with top quality programs that prepare them for the future,
- Target- and competency- based, transparent and fair performance management,
- A talent management program supported by a comprehensive, personalized development plan,
- An encouraging, risk-focused rewarding mechanism that fosters superior performance,
- Supporting all efforts with data-based initiatives,
- A cultural transformation program that supports and complements digital transformation,
- Constantly improving organizational efficiency with a focus on employee productivity,
- Efficient in-house and external communication based on corporate values and culture,
- Architectural transformation towards the work environment of the future.

The Bank's objective is to attain results that make a difference with the strength of its human capital; deliver an excellent banking experience to Turkey; and create value for its shareholders.

To sustain the Bank's success in this regard, the mission of Akbank Human Resources is to provide direction for the organizational structure, operations, human resource and business strategies in accordance with the objectives of the Bank.

The human resources policy aims to optimize the competency and productivity of employees and ensure its full manifestation in the Bank's business results. In an effort to attain excellent business results, the policy strives to create a working environment that inspires and motivates the Bank's employees, in a comfortable and professional atmosphere.

The Bank's organizational structure, employee job descriptions and allocation of staff are announced to personnel and published on the Bank's Corporate Portal. Akbank has a transparent and flexible performance and rewarding system that is open to improvement and that emphasizes an objective evaluation framework. Performance and rewarding criteria are readily available to employees on the Bank's Human Resources Portal where each staff member has a dedicated, password-protected page.

Akbank conducts the "Employee Commitment Survey" for all personnel each year to elicit feedback on professional life, work processes and functions; to closely monitor satisfaction and the level of corporate loyalty; and to identify improvement areas. In addition, employee pulse questionnaires are given to extend dialogue with employees to a new channel, ensure continuity of communication, and receive their feedback. The Employee Commitment Survey is administered by an independent research company on a confidential basis and the results are analyzed by the Human Resources Department; the Bank implements improvements and other modifications based on the findings.

Ethical principles, which are the unchanging elements of our corporate culture and governance, provide a foundation for Akbank's current reputation in the banking industry and within the society at large. Safeguarding and further enhancing the position while sustaining stability and confidence in the sector are among the Bank's main objectives. Akbank does its utmost to ensure that employees embrace the ethical principles as outlined in in-house communication channels and training programs, and act in line with such an awareness. The Bank also has an Ethics Line, through which Bank personnel can communicate any issue that they cannot resolve or bring up in their own department for any reason. Transactions in breach of the legislation and ethical principles are assessed by the Board of Internal Auditors and major issues are reported to the Director of Internal Systems.

Structured in accordance with the organizational model, needs and expectations of the Bank's business lines, the Strategy and Human Resources Business Unit acts as the strategic partner of Akbank's other business units in all human resources issues and provides them support as needed.

The Bank executes all of its business processes, and those related to human resources in particular, on the basis of the principle of equality; as a result, Akbank does not discriminate based on race, religion, language or gender. When a complaint is received in regard to this issue, the Bank assesses the situation in accordance with the principles stipulated above.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

14. Rules of Ethics and Social Responsibility

Akbank's principles, code of conduct and other aspects governing relationships with persons and institutions, both internal and external to the Bank, have been compiled and documented in writing as "Ethical Principles." This document can be accessed on both the Turkish and English website of the Bank (http://www.akbank.com).

Akbank's Ethical Principles aim to regulate the conduct and behavior of personnel at all levels as well as their relationships with individuals and institutions within or outside the Bank. Approved on September 26, 2003 by Resolution No. 8783 of the Board of Directors for the first time and updated based on the prevailing circumstances and trends in the business world, the Bank's ethical rules are expected to be observed by all employees at all levels and fully complied with during the course of performance of their duties. Naturally, employees shall act with due diligence in line with the basic rules and principles in any situation not covered in this document. Since conduct in breach of the ethical principles can impact the Bank's activities and integrity in the eyes of its stakeholders, employees can report any irregularity to their supervisors and/or to the Ethics Line should they encounter conduct or a transaction in breach of the ethical principles or should they have a suspicion in this regard. In addition, all notifications made to the Ethics Line are kept confidential and staff members do not face a sanction for their notification.

Akbank took a major step in the area of sustainability when it became a signatory to the United Nations Global Compact in 2007. As a result, the Bank also showed its ongoing commitment and support to the universal principles of human rights, working conditions, the environment and anti-corruption by becoming the first company in the Turkish banking industry to publish a Communication on Progress (COP) Report in 2009.

After publishing its Sustainability Report in accordance with Global Reporting Initiative (GRI) standards, a first among Turkish deposit banks in 2010, Akbank released its ninth Sustainability Report in 2018.

In addition, Akbank supported the launch of the Carbon Disclosure Project (CDP) in Turkey. The CDP is implemented in 60 countries and considered one of the world's most comprehensive and high profile environmental initiatives. Akbank also reports climate change management activities and the Company's environmental footprint to the CDP; the Bank is listed alongside the world's most reputable companies and organizations as a committed member of the Carbon Disclosure Project.

Akbank has carried out major updates in terms of its internal business processes and policies, as well as environmental and social factors. In this scope, the Bank added environmental and social factors to its ethical principles, loan evaluation and procurement processes.

In order to internalize sustainability initiatives and support the transition to sustainable business conduct, the Bank administered Sustainability Approach training to more than 19 thousand employees over the last three years since 2011 via classroom-based and e-learning courses.

Embracing the view that enlightenment of a country involves gaining diverse perspectives ranging from education to the arts, Akbank has worked diligently to shine a light to the future. Akbank will continue to contribute to society with the pioneering projects it undertakes in culture, the arts, education, youth, entrepreneurialism, savings and the environment.

SECTION V-BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

Akbank's Board of Directors governs and represents the Bank through the strategic decisions it makes with a rational and cautious risk management approach prioritizing the Bank's long-term interests by maintaining an optimal balance of risk, growth and return for the Bank.

Akbank's Board of Directors defines the Bank's strategic objectives, determines the human and financial resources the Bank will need, and oversees the management's performance. The Board of Directors supervises the compliance of the Bank's activities with applicable legislation and the Company's Articles of Association, internal regulations and policies.

The Board of Directors executes its activities in a transparent, accountable, fair and responsible manner. The Board of Directors plays an active role in maintaining effective communications between the Bank and its shareholders, and in obviating and resolving potential conflicts.

Section 3 of the Bank's Articles of Association stipulates the Bank's administrative structure and organization. This section states the duties and authorities of the members of the Board of Directors and executives. Within this framework, the duties, authorities and responsibilities of the Board of Directors are subject to the principles stipulated in the provisions of the Turkish Commercial Code and the Banking Law as well as the provisions of the Articles of Association.

The terms of office of the Board Members elected in March 2018 expire in March 2019. All members of the Board of Directors attend the Board's meetings unless they have an excuse.

Suzan Sabancı Dinçer: Chairman
Hayri Çulhacı: Vice Chairman and Executive Board Member
Ahmet Fuat Ayla: Executive Board Member
Can Paker: Board Member
Yaman Törüner: Board Member
Aykut Demiray: Board Member
Emre Derman: Board Member
Prof. Özgür Demirtaş: Board Member
Aydın Günter: Board Member
Hakan Binbaşgil: Board Member and CEO

Background information for the members of the Board of Directors is presented on page 66-67 of the Annual Report, on the Akbank website at the link below, and on the e-YÖNET portal (www.mkk.com.tr). The tasks and duties assumed by the Members of the Board of Directors in and outside the group are given in their resumes.

There are three executive and seven non-executive members on Akbank's Board of Directors. Hayri Çulhacı, Ahmet Fuat Ayla, Hakan Binbaşgil are executive members.

According to the Capital Markets Board's corporate governance principles, members of bank audit committees are considered independent members of the Board of Directors. Hayri Çulhacı and Yaman Törüner, the members of the Audit Committee, are independent Board members. The other Independent Member of our Bank is Mr. Aydın Günter who has all independency criteria in line with the Capital Markets Board regulations and who was approved for a one year term at the Ordinary General Assembly Meeting held on March 26, 2018. The report dated January 16, 2018 stating Mr. Aydın Günter had the independency criteria was submitted to the Corporate Governance Committee, while the Board of Directors decided to notify the Capital Markets Board about Mr. Aydın Günter as an independent member candidate.

The independence statement of Mr. Aydın Günter who was elected as an Independent Member of the Board of Directors at the Ordinary General Assembly Meeting held in 2018, is given below.

"I do declare that I am a candidate for assuming the role of an "Independent Member" in the Board of Directors of the Akbank T.A.Ş.(Company), within the scope of the criteria stipulated in the legislations, the articles of association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

d) In accordance with the legislation, I will not be working fulltime in public institutions and organizations (except working as an academic at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

f) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interests between the company's shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfil the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the same person, by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors."

The Bank's Articles of Association stipulate that members of the Board of Directors cannot undertake commercial transactions with the Bank in areas where the Bank is actively engaged either in person or by proxy, unless they have received the approval of the General Assembly. The provisions of Article 396 of the Turkish Commercial Code pertaining to the non-compete clause and the provisions of the Banking Law are reserved.

Powers of the Chairman of the Board of Directors and the General Manager were separated accurately and this issue was included in the Articles of Association.

16. Operating Principles of the Board of Directors

A secretariat is present to inform and communicate with the members of the Board of Directors. The Board of Directors meets at least 12 times per year.

Members of the Board of Directors make every effort to attend every meeting and to convey their opinions. The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings in consultation with the other Board members and the Chief Executive Officer. Information and documents related to the matters on the meeting agenda are made available for the examination of the members of the Board of Directors sufficiently before the meeting by adhering to the principle of equal information flow.

Members of the Board of Directors may make motions to the Chairman of the Board to amend the agenda prior to the meeting. The opinions of a member who does not attend the meeting but who submits his or her opinions to the Board of Directors in writing are communicated to the other members.

The form and conduct of Board of Directors meetings are documented in writing as stipulated by internal company regulations. Agenda items are discussed openly and from every possible perspective at the Board of Directors meetings. The Chairman of the Board of Directors makes the best effort to ensure the active participation of non-executive members in Board meetings.

For a resolution to be passed by the Board of Directors, a quorum consisting of the presence of more than half the members of the Board of Directors is necessary. A simple majority of the members in attendance is sufficient to adopt resolutions. Deliberations of the Board of Directors are regularly recorded by a secretary to be selected either from among the members or from outside of the Board. The minutes of the meeting must be signed by the members present; should there be any dissenting votes regarding the resolution(s), the reason must be recorded in the minutes and signed by the dissenting member(s). The validity of the resolution(s) is predicated upon their being documented in writing and signed. The procedures pertaining to the recording of the minutes for resolutions are stipulated in Article 31 (quorum for the gathering and resolutions of the Board of Directors) and Article 32 (minutes of Board resolutions) of Section 3 (the administrative structure and organization of the Bank) of the Articles of Association.

As stated in the Capital Markets Board decision, banks are obligated to comply with the CMB Corporate Governance Principles. Within the period, there were no non-complying transactions in contradiction of this obligation.

The Bank has insured itself against any damages resulting from unintentional errors by members of senior management, with an upper limit of USD 20 million.

Pursuant to Article 32 of the Articles of Association, members of the Board of Directors cannot undertake commercial transactions with the Bank in areas where the Bank is actively engaged either in person, or by proxy, unless they have received the approval of the General Assembly. The Bank implements the provisions of Article 396 of the Turkish Commercial Code pertaining to the non-compete clause and the provisions of the Banking Law. The members of the Board of Directors did not perform any transactions with the Bank outside this scope in 2018.

No member of the Board of Directors has a right to a weighted vote and/or veto power. Each member is entitled to one vote.

Pursuant to Article 32 of the Articles of Association, members of the Board of Directors may not participate in the discussion of matters concerning their personal benefit or the benefit of their relatives shown in Article 393 of the Turkish Commercial Code. In case such a matter becomes the subject of a Board discussion, the concerned member is required to inform the Board of his connection and have the same recorded in the minutes of that meeting, or, in the case of Article 390 paragraph 4, on the paper bearing the motion.

17. Number, Structure and Independence of the Committees Established under the Board of Directors

The areas of activity and the members of the committees constituted within the Bank are determined by the Board of Directors; when finalized, they are announced to the public in the Bank's Annual Report and on the website.

The Board of Directors provides all resources and support that the committees need in order to execute their functions. Committees invite the executives that they deem necessary to their meetings and elicit their opinions; they resort to independent expert opinions in matters that they deem necessary within the course of their activities.

All activities of the committees are recorded and documented in writing. Committees meet as frequently as the effectiveness of their activities require in accordance with their operating principles. They submit reports about their activities and the outcomes of their meetings to the Board of Directors.

When the number of members of the Bank's Board of Directors is taken into consideration, one member of the Board of Directors assumes duties in more than one committee.

Within the structure of Akbank, we have an Audit Committee, Corporate Governance Committee, Credit Committee, and Executive Risk Committee. Committee members and their tasks are available in the Annual Report, page 78-79.

Akbank also has an Asset-Liability Committee (ALCO) presided by the Chief Executive Officer. Responsible for daily liquidity and cash management, ALCO meets twice weekly to discuss economic and capital market developments. In addition, ALCO develops investment, pricing and funding strategies for the Bank. ALCO members are presented on page 79 of the Annual Report.

18. Risk Management and Internal Control Mechanism

The Board of Directors is responsible for formulating the Bank's fundamental approach to risk, including risk management policies and principles, strategies and risk-taking levels as well as regularly reviewing these and making modifications when necessary. The Executive Risk Committee, a committee of the Board of Directors, devises the policies and procedures related to the identification, measurement, monitoring, reporting and control of risks.

These policies are reviewed and evaluated periodically at the meetings of the Executive Risk Committee and Asset-Liability Committee.

The Chief Executive Officer ensures that the Bank's units operate in line with the risk management policies and strategies established by the Board of Directors. In addition, internal control and internal audit activities performed periodically also provide the necessary inspections for compliance with risk management policies and strategies.

The Risk Management Department, Information Risk Management Department, Board of Internal Auditors and Internal Control and Compliance Department report directly to the Board of Directors. The Audit Committee's Assessment Report is presented on page 98 of the Annual Report.

19. The Bank's Strategic Objectives

The Board of Directors has clearly and comprehensibly formulated the values, vision, mission, strong foundations and strategic objectives of Akbank as presented in the Annual Report and on the Bank's website. The Articles of Association state that the duties and responsibilities of the Board of Directors are subject to the principles stipulated in the provisions of the Turkish Commercial Code and the Banking Law, as well as the provisions of the Articles of Association. The Articles of Association also obligate the Board of Directors to meet at least once a month and establish the circumstances thereof clearly. At its meetings, the Board of Directors monitors the Bank's progress in light of its strategic objectives and evaluates its performance.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Board of Directors approves the annual budget of the Bank and its strategic plan. The Board of Directors closely monitors the budgeted and the actual figures, gathers information regarding deviations and follows up on its decisions. If there are significant deviations in macroeconomic indicators from those assumed in the budget, the budget is revised and resubmitted for approval to the Board of Directors. The Board of Directors monitors strategic objectives, budget targets and actuals on a daily, weekly or monthly basis depending on the nature of the issues under review. In addition to printed reports, the Board also has access to the Bank's financial statements, various financial and non-financial indicators by customer, branch and business unit or for the Bank as a whole through the Management Information System.

20. Financial Benefits

Article 37 of the Articles of Association states: "The General Assembly shall determine, under these Articles of Association, a monthly salary or attendance fee for members of the Board of Directors." Remunerations for the members who assume certain tasks in our Bank are determined by the General Assembly within the scope of the authorization granted.

Akbank does not use stock options or payment plans based on the Company's performance in compensating the independent members of the Board of Directors.

Article 50 of the Banking Law limits the loans to be extended by Akbank to the Directors serving on the Board within a clear framework of restrictions. No loans are made to the members of the Board of Directors outside of this scope.

The Turkish website is accessible at: http://www.akbank.com/tr-tr/Yatirimci-iliskileri/Sayfalar/Default.aspx

The English website is accessible at: http://www.akbank.com/en-us/investor-relations/Pages/default.aspx

The Turkish website is accessible at: http://www.akbank.com/tr-tr/Sayfalar/default.aspx

The English website is accessible at: http://www.akbank.com/en-us/Pages/default.aspx

The Sustainability Report is accessible at http://www.akbank.com/tr-tr/Yatirimci-iliskileri/Sayfalar/Surdurulebilirlik-Raporu.aspx

http://www.akbank.com/tr-tr/Yatirimci-iliskileri/Sayfalar/Yonetim-Kurulu.aspx

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AS PER THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON THE REPORTING PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1)

We have examined the Akbank T.A.Ş. Annual Report pertaining to 01.01.2018 - 31.12.2018 period that we have attached, as per the Capital Markets Board's Communiqué on the Reporting Principles Regarding Financial Reporting in Capital Markets. Thus, we have concluded that the Annual Report does not include any explanations contrary to facts, or any deficiencies regarding important issues, and that it accurately reflects the facts about the company's financial status and activity results.

Best regards,

Hayri Çulhacı	S. Hakan Binbaşgil	Türker Tunalı
Chairman of the Audit Committee	**CEO**	**Executive Vice President**

SUMMARY RESULTS FOR 2018 AND FUTURE EXPECTATIONS OF THE BANK

With the strategies it has implemented in 2018, Akbank strengthened the structure of its balance sheet, maintained the quality of its assets, and continued growing in conformity with its sustainable profitability target.

Despite challenging global market conditions in 2018, Akbank managed to deliver sustainable profitability and asset quality for its stakeholders while continuing to support the Turkish economy via its robust balance sheet and long-term resources obtained from overseas markets.

In 2018, Akbank's consolidated assets reached TL 355 billion. In the same period, Akbank's total loans reached TL 267 billion, TL 214 billion of which is composed of cash loans. The support extended to the real economy in the form of SME loans and corporate loans attained TL 226 billion. Furthermore, Akbank's total deposits reached TL 209 billion.

As of year-end 2018, 39% of Akbank's total loans were corporate loans, and 41% were SME and commercial loans, while 20% of Akbank's total loans consumer and credit card loans.

In 2018, a year marked by global and national market fluctuations, Akbank prioritized the protection of its asset quality, and expended efforts to calculate and report risk in the most healthy manner by means of efficient and prudent risk management. The Bank kept watch on financial and economic developments in our country and the world markets, and improved existing practices by closely monitoring developments in the field of risk management such as TFRS 9 standard, Basel principles and other international regulations.

At a period when worldwide concerns towards emerging markets including Turkey are on the rise, Akbank managed to roll over its highly popular and keenly-awaited syndication loan by 104%, thus securing USD 980 million in fresh funds for the Turkish economy. Along with other transactions during the year, thanks to its robust financials and high reputation, Akbank secured total external resources worth USD 4.8 billion to the national economy in 2018.

With its capital increase decision in December 2018, Akbank further strengthened its already robust financial structure, created additional growth capacity for the coming period and sharpened its competitive edge in the market. This crucial step is an important confirmation of Akbank's shareholders' trust in our country and economy. As a result of this transaction, Turkey saw a foreign direct investment inflow of USD 210 million in the beginning of 2019. Despite the global uncertainties, the Bank's already robust Capital Adequacy Ratio increased by a further 80 basis points, thereby creating added capacity for growth for the coming years.

BANK'S SUMMARY EXPECTATIONS FOR 2019 AND BEYOND:

2019 Expectations	
Net Interest Margin (swap adjusted) (1)	≥3.5
Net Fees & Commission Growth	>20
Operational Expense Growth	~CPI
Operational Expense/Income	≤35%
Total Cost of Risk	<300 basis points
NPL Ratio(2)	< 6
Capital Adequacy Ratio	~16
Tier 1 Ratio	~13.5%
Loans/Deposits Ratio	Max 105
Return on Assets	≥ 1.4
Return on Equity	≥ 12

2019 Expectations	
Loan Growth	~10
Deposit Growth	~10

2020 and beyond	
Return on Assets	1.7-1.9%
Return on Equity	15-17%

(1) *Including short and long term swap transactions*
(2) *Excluding any possible NPL sales.*

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT SERVICING CAPACITY

The Bank runs its operations with a high level of profitability while increasing its shareholders' equity. The Bank allocates only a very small portion of its shareholders' equity to fixed investments such as fixed assets and subsidiaries. Therefore, the Bank's owner's equity is very high and it is invested in interest-bearing assets. Thanks to its sound capital structure and effective risk management, Akbank boasts a capital adequacy ratio higher than the minimum level set forth in the applicable law as well as a high level of liquidity that enables the Bank to pay its debts under any market conditions.

REPORT OF THE AUDIT COMMITTEE

Assessment of the Audit Committee Regarding Operations of Internal Control, Internal Audit and Risk Management Systems and Their Performance in 2018

Akbank's Audit Committee held four meetings in 2018. During these meetings, the Audit Committee undertook efforts geared toward executing its duties and responsibilities that are stipulated on page 78 of this Annual Report.

Internal audit, internal control and risk management operations, duties and responsibilities are separate from each other at the Bank. They are carried out by the Board of Internal Auditors, the Internal Control and Compliance Department, the Risk Management Department and the Information Risk Management Department, which are organizationally independent from one another yet function in coordination and report directly to the Board of Directors.

Evaluation of the operations and ensuring the sustainability, adequacy and effectiveness of the Bank's internal systems, comprised of all branches and departments as well as the subsidiaries of the Bank that are subject to consolidated audit, are utmost priorities for Akbank's Board of Directors. The duties and responsibilities of the Board of Directors vis-à-vis the internal systems are executed by the Board of Directors, the Audit Committee, and the Director of Internal Systems for Internal Audit, Internal Control and Risk Management.

The Board of Internal Auditors made significant contribution to: managing risks that may result from the activities of the Bank; compliance of the transactions, applications, systems and models with the internal external legislation; developing service quality, productivity and performance; improving cost management; protecting the assets; protecting the reputation and brand value of the Bank.

Planning and performing its activities with a risk oriented approach, and in accordance with the legal obligations, the Board of Internal Auditors: evaluates the potential risks in branches, subsidiaries, Headquarters' units, and in all Bank activities and practices; determines the areas that need to be developed and enhanced; and reviews whether internal control, risk management and corporate governance is in conformity, effective and sufficient or not. The results of the audits are not only reported, but all kinds of improving, enhancing suggestions are made to add value and to strengthen the internal systems. Furthermore, the consequences of the actions taken about these issues are effectively and continuously monitored.

The Board of Internal Auditors conducts its internal audit activities in line with the International Internal Audit Standards and Professional Ethics set by the Institute of Internal Auditors (IIA). Indeed, as a result of the Quality Assurance Assessment Study conducted by independent external auditors, it has been confirmed that the internal audit's efficiency, quality and value contribution to the corporation are at the level required by International Internal Audit Standards. The Board of Internal Auditors makes intensive use of technology in all areas to constantly develop and improve its operations. It creates certification and training opportunities for the professional development of its auditors and strives to make contributions to the Bank with its experienced, well-trained, qualified and competent human capital.

As a consequence of the audits and assessments made in 2018; no important factors that may have negative impacts on the activities of the Bank, or that may hinder the Bank from fulfilling its obligations, were detected. It was concluded that: internal control, risk management and corporate governance of the Bank functioned successfully and effectively; the activities of the Bank had low risk in general; financial and legal reports were accurate; and activities were carried out in conformity with the legislation.

As a consequence, with its risk oriented approach, qualified human resources, intensive technology utilization, experienced and prudent management, the internal audit system is effective and successful in preventing, detecting and eliminating risks thanks to its strong, experienced and effective management staff.

The main purpose of the Internal Control and Compliance Department is to ensure that the Bank's activities are carried out effectively and efficiently, in compliance with the laws and other regulations within a strong internal control environment. In this regard, control tasks were performed by competent and experienced internal control personnel in branches and in the Head Office business units through onsite as well as centralized activities facilitated by smart monitoring systems.

Within the scope of the activities, the Department improved and updated the internal control system continuously; collaborated with responsible units in legal and regulatory compliance-related processes; administered training for the Bank employees; fulfilled the obligations stipulated in the Law No. 5549 on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism; performed risk assessments regarding the Bank's support service providers; and carried out on-site/central control tests at those branches designated with a risk-centered approach.

The Internal Control and Compliance Department significantly contributes to minimizing losses associated with operational risks, and to managing our activities in an efficient, productive and effective control environment in full compliance with applicable laws, rules and regulations.

The Risk Management Department continued its activities to ensure the most accurate calculation and reporting of the Bank's potential risk exposure in accordance with the materiality criterion using effective risk management measurements and methods. Closely monitoring the financial and economic developments in global and domestic markets, Basel principles and other international regulations and developments in the risk management field, the Department made improvements in existing practices.

With its skilled and competent staff, the Risk Management Department constantly improves itself and increases its contribution to the Bank by closely monitoring the changes and innovations in the internationally-accepted risk management principles, regulations and models.

Analyses, calculations, simulations, scenario analyses, stress tests and other tasks performed as part of the Bank's risk management activities provide continuous and systematic input into the strategic decisions of the Bank's Board of Directors and Executive Management and support the overall decision-making mechanism.

With the 2018 ICAAP Report (Internal Capital Adequacy Assessment Process Report) prepared under the coordination of the Risk Management Department, validation and audit reports regarding ICAAP were evaluated and approved by the Audit Committee. The set of 2018 ICAAP reports was submitted to BRSA upon the approval of the Board of Directors.

The Information Risk Management Department carries out control activities across the Bank's information systems in order to ensure that the information processed and managed within the Bank is reliable, complete, traceable, consistent and in a format that meets the needs of the Bank. Furthermore, it conducts information risk analysis studies towards the third party service providers.

In the scope of the information risk controls implemented by the Information Risk Management Department, there are ongoing studies concerning controls based on the BRSA regulations as well as international standards such as COBIT, ISO, ITIL, COSO, NIST etc.

Studies carried out by the Information Risk Management Department have made significant contributions to keeping the risks arising from information systems at manageable levels, and to creating an effective control environment for the Bank's operations to be conducted effectively, efficiently, safely and in compliance with the legislation.

In consideration of the overall activities and operations of the internal control, internal audit and risk management systems of Akbank in 2018, efforts undertaken are deemed to be highly successful, effective, value-creating, sophisticated and satisfactory.

Hayri Çulhacı
Chairman of the Audit Committee

Yaman Törüner
Member of the Audit Committee

DISCLOSURE OF PUBLIC AND PRIVATE AUDITS:
Akbank operates pursuant to the provisions of Banking Law No. 5411 and is subject to the regulation and oversight of the Banking Regulation and Supervision Agency of Turkey (BRSA) according to the provisions of the same law. Within this scope, BRSA undertook routine auditing activities during the year.

CREDIT RATINGS

Moody's (September 26, 2018)	
Long-Term FC Deposit	B2
Long-Term TL Deposit	B1
Short-Term FC Deposit	Not-Prime
Short-Term TL Deposit	Not-Prime
Baseline and Adjusted Baseline Credit Assessment	b2
Senior Unsecured Regular Bond/Debenture	B1
Senior Unsecured Medium-Term Note Program	(P)B1
Subordinate Regular Bond/Debenture	Caa1(hyb)

Fitch Ratings (October 1, 2018)	
Long-Term Foreign Currency IDR	B+
Long-Term Local Currency IDR	Short-Term
Short Term Foreign Currency IDR	B
Short-Term Local Currency IDR	B
Viability Rating	b+
National Long-Term Rating	A+(tur)
Long-Term Senior Unsecured Notes	B+
Subordinate Regular Bond/Debenture	B

FIVE-YEAR SUMMARY FINANCIAL FIGURES

Five-Year Summary Consolidated Financial Figures (TL million)	2014	2015	2016	2017	2018
Total Assets	218,697	252,467	294,501	341,610	354,682
Loans	136,131	153,466	178,893	209,478	213,937
Deposits	122,294	149,471	173,968	201,456	208,630
Shareholders' Equity	26,140	28,015	32,492	40,614	43,787
Net Profit	3,379	3,229	4,854	6,020	5,709

Five-Year Summary Unconsolidated Financial Figures (TL million)	2014	2015	2016	2017	2018
Total Assets	205,451	234,809	272,825	316,031	327,642
Loans	125,978	141,763	161,828	190,509	185,125
Deposits	113,373	138,942	158,878	184,904	188,391
Shareholders' Equity	25,112	26,689	32,376	40,425	43,809
Net Profit	3,160	2,995	4,820	6,039	5,690

DISCLOSURES RELATED TO EVENTS SUBSEQUENT TO THE BALANCE SHEET

Disclosures related to events subsequent to the balance sheet can be found in Note IX of Section 5 in the publicly-announced Unconsolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report, prepared as of December 31, 2018. In addition, the aforementioned information can also be found in Note IX of Section 5 in the Consolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report.

AUDIT REPORT ON THE EARLY RISK DETECTION SYSTEM AND THE EARLY RISK DETECTION COMMITTEE

pwc

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE EARLY RISK IDENTIFICATION SYSTEM AND COMMITTEE ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Akbank T.A.Ş.

1. We have audited the early risk identification system and committee established by Akbank T.A.Ş. ("Bank").

Board of Directors' Responsibility

2. Pursuant to subparagraph 1 of Article 378 of Turkish Commercial Code ("TCC") No. 6102; Board of Directors is required to form an expert committee, and to run and to develop the necessary system for the purposes of early identification of causes that jeopardize the existence, development and continuity of the Bank; applying the necessary measures and remedies in this regard; and managing the related risks.

Auditor's responsibility

3. Our responsibility is to reach a conclusion on the early risk identification system and committee based on our audit. Our audit was conducted in accordance with TCC and "Principles on Independent Auditor's Report on the Early Risk Identification System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority. Those principles require us to identify whether the Bank established the early risk identification system and committee or not and, if established requires us to assess whether the system and committee is operating or not within the framework of Article 378 of TCC. Our audit does not include evaluating the adequacy of the operations carried out by the management of the Bank in order to manage these risks.

Information on the Early Risk Identification System and Committee

4. The Bank established the early risk identification system and High Priority Risk Committee and it is comprised of 7 members. The Committee has submitted the relevant reports for the period 1 January – 31 December 2018 to the Board of Directors that had been prepared for the purpose of early identification of risks that jeopardize the existence of the Bank and its development, applying necessary measures and remedies in this regard, and managing the risks.

Conclusion

5. Based on our audit, it has been concluded that Akbank T.A.Ş.'s early risk identification system and committee is sufficient, in all material respects, in accordance with Article 378 of TCC.

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

Talar Gül, SMMM
Partner

Istanbul, 1 March 2019

AKBANK T.A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akbank T.A.Ş.

A. Audit of the Unconsolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Akbank T.A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2018, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

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

2. Basis for Qualified Opinion

As explained in Section Five Part II h.4 (i) of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements; a portion of free provision amounting to TL 150.000 thousand on net basis has been reversed in the current year, out of total free provision of TL 700.000 thousand provided in the prior years by the Bank Management considering the possible effect of the circumstances that may arise from the changes in the economy and market conditions. The amount of free provision in the accompanying unconsolidated financial statements is TL 550.000 thousand as at 31 December 2018.

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
Impairment of loans and receivables in accordance with TFRS 9	
The Bank has total provision for impairment of TL 7.941.964 thousands in respect to loans and receivables of TL 193.066.508 thousands which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans and receivables are presented section III part VII-e, section III part VIII, section V part I-f and section V part II-h in the accompanying unconsolidated financial statements as at 31 December 2018. As of 1 January 2018 the Bank started to recognize provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). TFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Bank with respect to classification of loans and receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Bank in line with its governance, policies and procedures. Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Bank's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework. In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Bank management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable. We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loan and receivables and related impairment provision.

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
First time adaptation of TFRS 9 Financial Instruments Standard	
TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 and adapted by the Bank in the same period is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 replaces TAS 39 Financial Instruments: recognition and measurement of financial instruments. TFRS 9 has three phases as follow: Phase 1 - classification and measurement of financial assets and financial liabilities; Phase 2 - Impairment methodology; Phase 3 - Hedge accounting. Disclosures with respect to first time adaptation of TFRS 9 and the differences between previously reported carrying amounts and new carrying amounts of financial instruments are made in section III part XXIX. in the accompanying unconsolidated financial statements. The application of expected credit loss model with respect to changes arising as part of TFRS 9 adaptation is explained in the above paragraph on impairment of loans and receivables in accordance with TFRS 9. The Bank continued to apply TAS 39 with respect to hedge accounting requirements. The application of TFRS 9 resulted into changes in previously reported carrying amounts and the related accounting policies. Therefore, this area is considered as key audit matter.	With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following: We have read the Bank's TFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9; We obtained an understanding and checked the Bank's business model assessment and the test on the contractual cash flows, which give rise to cash flows that are "solely payments of principal and interest" (SPPI test). We checked the appropriateness of the opening balance adjustments and the related disclosures. With respect to impairment, using expected credit loss model, our work plan is described in the above paragraph with respect to How Our Audit Addressed the Key Audit Matter for impairment of loans and receivables in accordance with TFRS 9.
Valuation of Pension Fund Obligations	
Explanations on Valuation of Pension Obligations are presented in the section III part XVII-b in the accompanying unconsolidated financial statements as at 31 December 2018. The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as discount rates, salary increases, demographic assumptions used in the valuation of pension obligations with respect to social benefits and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability. In addition to the above procedures we have reviewed disclosures made with respect to pension fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Talar Gül, SMMM
Partner

Istanbul, 31 January 2019

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

THE UNCONSOLIDATED FINANCIAL REPORT OF AKBANK T.A.Ş. AS OF 31 DECEMBER 2018

Address	:	Sabancı Center 34330, 4. Levent / İstanbul
Telephone	:	(0 212) 385 55 55
Fax	:	(0 212) 319 52 52
Website	:	www.akbank.com
E-mail	:	http://www.akbank.com/tr-tr/genel/Sayfalar/Iletisim-Formu.aspx

The unconsolidated financial report, prepared in accordance with "Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below.

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

31 January 2019

Suzan SABANCI DİNÇER	Hayri ÇULHACI	Ş.Yaman TÖRÜNER	S. Hakan BİNBAŞGİL	Türker TUNALI	Zeynep TERZİOĞLU
Chairman of the Board of Directors	Head of the Audit Committee	Member of the Audit Committee	CEO	Executive Vice President	Senior Vice President

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

Name-Surname / Title	: Zeynep TERZİOĞLU / Senior Vice President
Phone No	: (0 212) 385 55 55
Fax No	: (0 212) 325 12 31

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

AKBANK T.A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION ABOUT THE BANK

I. BANK'S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS:

Akbank T.A.Ş. ("the Bank" or "Akbank") was established on 30 January 1948 as a private commercial bank, in accordance with the decision of the Council of Ministers, No.3/6710 and is authorized to perform all economic, financial and commercial activities which are allowed by the laws of the Turkish Republic ("T.C."). The status of the Bank has not changed since its foundation.

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

The Bank's shares have been quoted on the Borsa Istanbul ("BIST") since 1990. In 1998, 4,03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipts ("ADRs"). As of 31 December 2018, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2017: 51%).

The major shareholder of the Bank, directly or indirectly, is Sabancı Group.

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITY:

Title	Name	Responsibility	Education
Chairman:	Suzan SABANCI DİNÇER	Chairman and Executive Board Member	Graduate
Board of Directors:	Hayri ÇULHACI	Vice Chairman and Executive Board Member	Graduate
	A. Fuat AYLA	Executive Board Member	Undergraduate
	Ş. Yaman TÖRÜNER	Board Member	Undergraduate
	A. Aykut DEMİRAY	Board Member	Undergraduate
	I. Aydın GÜNTER	Board Member	Undergraduate
	Emre DERMAN	Board Member	Graduate
	Can PAKER	Board Member	PhD
	K. Özgür DEMİRTAŞ	Board Member	PhD
	S. Hakan BİNBAŞGİL	Board Member and CEO	Graduate
President and CEO:	S. Hakan BİNBAŞGİL	CEO	Graduate
Head of Internal Audit:	Eyüp ENGİN	Head of Internal Audit	Undergraduate
Executive Vice Presidents:	Bülent OĞUZ	Retail Banking	Graduate
	H.Burcu CİVELEK YÜCE	Human Resources and Strategy	Graduate
	Ege GÜLTEKİN	Credit Monitoring and Follow-up	Graduate
	Levent ÇELEBİOĞLU	Corporate and Investment Banking	Undergraduate
	Emin Tolga ULUTAŞ	Direct Banking	Graduate
	N. İlker ALTINTAŞ	Technology and Operation	PhD
	Mehmet Hakan TUGAL	Commercial Banking	Graduate
	Türker TUNALI	Financial Coordination	Undergraduate
	Şahin Alp KELER	Private Banking and Wealth Management	PhD
	Yunus Emre ÖZBEN	Credit Allocation	Graduate
	Zeynep ÖZTÜRK	Special Credits	Graduate
	Gamze Şebnem MURATOĞLU	Treasury	Graduate
Internal Audit Committee:	Hayri ÇULHACI	Head of the Audit Committee	Graduate
	Ş. Yaman TÖRÜNER	Member of the Audit Committee	Undergraduate

The shares of individuals above are insignificant in the Bank.

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

AKBANK T.A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

In the Ordinary General Assembly Meeting of the Bank held on 26 March 2018, Kemal Özgür Demirtaş has been assigned as a new member of the Bank's new Board of Directors, instead of Erol Sabancı.

Yunus Emre Özben has been assigned on 28 August 2018 as Executive Vice President responsible of Credit Allocation Unit instead of Hasan Recai Arabacı who has resigned from his position on 14 August 2018.

As of 22 November 2018, Consumer Banking Unit's Executive Vice President Arif Özer İsfendiyaroğlu has resigned from his positions. Consumer Banking has merged with SME Banking Unit and is continuing its operations as Retail Banking Business Unit as of the same date. Bülent Oğuz, Executive Vice President of SME Banking, has been assigned as the Executive Vice President in charge of Retail Banking Business Unit.

As of 4 January 2019, Zeynep Öztürk has been assigned as Executive Vice President to the newly established Special Credits Unit.

As of 8 January 2019, Gamze Şebnem Muratoğlu has been assigned as Executive Vice President responsible of Treasury Business Unit instead of Ali Batu Karaali had resigned from his position on 7 January 2019.

IV. INFORMATION ON THE INDIVIDUAL AND CORPORATE SHAREHOLDERS HAVING CONTROL SHARES OF THE BANK:

Name/Commercial Title	Share Amounts (Nominal)	Share Percentages	Paid-in Capital (Nominal)	Unpaid Portion
Hacı Ömer Sabancı Holding A.Ş.	1.630.021	40,75 %	1.630.021	-

V. INFORMATION ON THE BANK'S SERVICE TYPES AND FIELDS OF OPERATION:

The Bank's core business activities consist of retail banking, commercial banking, corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (treasury transactions) and international banking services. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. As of 31 December 2018, the Bank has 780 branches dispersed throughout the country and 1 branch operating abroad (31 December 2017: 800 branches and 1 branch operating abroad).

As of 31 December 2018, the Bank the Bank has 13.367 employees (31 December 2017: 13.884).

VI. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN PARENT BANK AND ITS SUBSIDIARIES OR REPAYMENT OF DEBTS:

None.

AKBANK T.A.Ş.

I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

	ASSETS	Note (Section Five)	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**52,962,276**	**73,110,167**	**126,072,443**
1.1	**Cash and Cash Equivalents**		**5,189,272**	**43,465,879**	**48,655,151**
1.1.1	Cash and Balances with Central Bank	(I-a)	4,725,332	25,388,460	30,113,792
1.1.2	Banks	(I-d)	463,940	17,538,045	18,001,985
1.1.3	Money Markets		-	539,374	539,374
1.2	**Financial Assets at Fair Value Through Profit or Loss**	(I-b)	**6,126**	**137,461**	**143,587**
1.2.1	Government Debt Securities		-	-	-
1.2.2	Equity Insturments		-	137,461	137,461
1.2.3	Other Financial Assets		6,126	-	6,126
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	(I-e)	**24,621,751**	**17,751,756**	**42,373,507**
1.3.1	Government Debt Securities		23,928,005	12,574,559	36,502,564
1.3.2	Equity Insturments		12,848	607	13,455
1.3.3	Other Financial Assets		680,898	5,176,590	5,857,488
1.4	**Financial Assets Measured at Amortised Cost**	(I-g)	**5,942,844**	**6,320,637**	**12,263,481**
1.4.1	Government Debt Securities		5,942,844	3,811,339	9,754,183
1.4.2	Other Financial Assets		-	2,509,298	2,509,298
1.5	**Derivative Financial Assets**	(I-c, I-l)	**17,206,809**	**5,463,199**	**22,670,008**
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		15,470,870	5,209,530	20,680,400
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,735,939	253,669	1,989,608
1.6	**Non-Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Loss Provision (-)**		**4,526**	**28,765**	**33,291**
II.	**LOANS (NET)**	(I-f)	**118,175,582**	**66,948,962**	**185,124,544**
2.1	**Loans**		**117,220,778**	**68,007,109**	**185,227,887**
2.1.1	Measured at Amortised Cost		117,220,778	61,316,901	178,537,679
2.1.2	Fair Value Through Profit or Loss		-	6,690,208	6,690,208
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	(I-k)	**-**	**-**	**-**
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	**Factoring Receivables**		**-**	**-**	**-**
2.3.1	Measured at Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non-Performing Loans**		**7,838,621**	**-**	7,838,621
2.5	**Expected Credit Loss (-)**		**6,883,817**	**1,058,147**	**7,941,964**
2.5.1	12 Month Expected Credit Losses (Stage I)		506,325	131,178	637,503
2.5.2	Significant Increase in Credit Risk (Stage II)		1,814,644	926,969	2,741,613
2.5.3	Credit-Impaired Losses (Stage III / Specific Provision)		4,562,848	-	4,562,848
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	(I-o)	**90,305**	**-**	**90,305**
3.1	Held for Sale Purpose		90,305	-	90,305
3.2	Related to Discontinued Operations		-	-	-
IV.	**EQUITY INVESTMENTS**		**1,209,469**	**4,248,193**	**5,457,662**
4.1	**Investments in Associates (Net)**	(I-h)	**5,521**	**-**	**5,521**
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		5,521	-	5,521
4.2	**Subsidiaries (Net)**	(I-i)	**1,203,948**	**4,248,193**	**5,452,141**
4.2.1	Unconsolidated Financial Subsidiaries		1,203,948	4,248,193	5,452,141
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3	**Joint Ventures (Net)**	(I-j)	**-**	**-**	**-**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-
V.	**PROPERTY AND EQUIPMENT (Net)**		**3,941,378**	**7,039**	**3,948,417**
VI.	**INTANGIBLE ASSETS (Net)**		**624,219**	**24**	**624,243**
6.1	Goodwill		-	-	-
6.2	Other		624,219	24	624,243
VII.	**INVESTMENT PROPERTY (Net)**	(I-m)	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**262,217**	**-**	**262,217**
IX.	**DEFERRED TAX ASSET**	(I-n)	**-**	**23,410**	**23,410**
X.	**OTHER ASSETS**	(I-p)	**2,412,568**	**3,626,316**	**6,038,884**
	TOTAL ASSETS		**179,678,014**	**147,964,111**	**327,642,125**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.

I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

	ASSETS	Note (Section Five)	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	**CASH AND BALANCES WITH CENTRAL BANK**	(I-a)	**8,461,582**	**26,901,584**	**35,363,166**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	(I-b)	**5,551,804**	**2,725,703**	**8,277,507**
2.1	Trading Financial Assets		5,551,804	2,725,703	8,277,507
2.1.1	Government Debt Securities		-	-	-
2.1.2	Equity Securities		-	-	-
2.1.3	Trading Derivative Financial Assets		5,551,804	2,725,703	8,277,507
2.1.4	Other Marketable Securities		-	-	-
2.2	Financial Assets at Fair Value through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	**BANKS**	(I-d)	**10,397**	**8,106,382**	**8,116,779**
IV.	**MONEY MARKETS**		**1,552,161**	**-**	**1,552,161**
4.1	Interbank Money Market Placements		-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		1,552,161	-	1,552,161
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	(I-e)	**23,452,538**	**17,354,032**	**40,806,570**
5.1	Equity Securities		12,848	85,027	97,875
5.2	Government Debt Securities		23,159,176	13,657,443	36,816,619
5.3	Other Marketable Securities		280,514	3,611,562	3,892,076
VI.	**LOANS and RECEIVABLES**	(I-f)	**132,232,420**	**58,276,547**	**190,508,967**
6.1	Loans and Receivables		132,079,801	58,276,547	190,356,348
6.1.1	Loans to Bank's Risk Group	(VI)	3,925,476	1,981,389	5,906,865
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		128,154,325	56,295,158	184,449,483
6.2	Loans under Follow-up		4,532,711	-	4,532,711
6.3	Specific Provisions (-)		4,380,092	-	4,380,092
VII.	**FACTORING RECEIVABLES**		**-**	**-**	**-**
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	(I-g)	**5,995,041**	**12,887,991**	**18,883,032**
8.1	Government Debt Securities		5,995,041	10,148,338	16,143,379
8.2	Other Marketable Securities		-	2,739,653	2,739,653
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	(I-h)	**3,923**	**-**	**3,923**
9.1	Associates Consolidated Based on Equity Method		-	-	-
9.2	Unconsolidated Associates		3,923	-	3,923
9.2.1	Financial Investments in Associates		-	-	-
9.2.2	Non-Financial Investments in Associates		3,923	-	3,923
X.	**SUBSIDIARIES (Net)**	(I-i)	**1,150,713**	**2,982,385**	**4,133,098**
10.1	Financial Subsidiaries		1,150,713	2,982,385	4,133,098
10.2	Non-Financial Subsidiaries		-	-	-
XI.	**JOINT VENTURES (Net)**		**-**	**-**	**-**
11.1	Joint Ventures Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-
XII.	**FINANCIAL LEASE RECEIVABLES (Net)**	(I-k)	**-**	**-**	**-**
12.1	Financial Lease Receivables		-	-	-
12.2	Operating Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**	(I-l)	**973,630**	**161,224**	**1,134,854**
13.1	Fair Value Hedge		973,630	29,776	1,003,406
13.2	Cash Flow Hedge		-	131,448	131,448
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**		**3,409,399**	**7,039**	**3,416,438**
XV.	**INTANGIBLE ASSETS (Net)**		**471,637**	**13**	**471,650**
15.1	Goodwill		-	-	-
15.2	Other		471,637	13	471,650
XVI.	**INVESTMENT PROPERTY (Net)**	(I-m)	**-**	**-**	**-**
XVII.	**TAX ASSET**		**-**	**9,075**	**9,075**
17.1	Current Tax Asset		-	-	-
17.2	Deferred Tax Asset	(I-n)	-	9,075	9,075
XVIII.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	(I-o)	**57,520**	**-**	**57,520**
18.1	Held for Sale Purpose		57,520	-	57,520
18.2	Related to Discontinued Operations		-	-	-
XIX.	**OTHER ASSETS**	(I-p)	**1,056,629**	**2,239,499**	**3,296,128**
	TOTAL ASSETS		**184,379,394**	**131,651,474**	**316,030,868**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.

I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

	LIABILITIES	Note (Section Five)	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	**DEPOSITS**	(II-a)	**81,460,817**	**106,930,236**	**188,391,053**
II.	**FUNDS BORROWED**	(II-c)	**651,246**	**39,075,919**	**39,727,165**
III.	**MONEY MARKETS**		**3,852,509**	**9,209,690**	**13,062,199**
IV.	**SECURITIES ISSUED (Net)**	(II-d)	**3,949,642**	**8,202,364**	**12,152,006**
4.1	Bills		2,042,561	-	2,042,561
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		1,907,081	8,202,364	10,109,445
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	**FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	(II-b, II-g)	**11,333,092**	**1,623,362**	**12,956,454**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		10,688,134	1,623,362	12,311,496
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		644,958	-	644,958
VIII.	**FACTORING LIABILITES**		-	-	-
IX.	**LEASE LIABILITIES (Net)**	(II-f)	**25,048**	**-**	**25,048**
9.1	Financial Lease		29,392	-	29,392
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		4,344	-	4,344
X.	**PROVISIONS**	(II-h)	**1,044,801**	**250,177**	**1,294,978**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		311,510	-	311,510
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		733,291	250,177	983,468
XI.	**CURRENT TAX LIABILITY**	(II-i)	**442,133**	**62,261**	**504,394**
XII.	**DEFERRED TAX LIABILITY**		**283,695**	**-**	**283,695**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	(II-j)	**-**	**4,784,477**	**4,784,477**
14.1	Loans		-	-	-
14.2	Other Debt Instruments		-	4,784,477	4,784,477
XV.	**OTHER LIABILITIES**		**7,461,507**	**3,190,060**	**10,651,567**
XVI.	**SHAREHOLDERS' EQUITY**	(II-k)	**42,910,657**	**898,432**	**43,809,089**
16.1	Paid-in capital		4,000,000	-	4,000,000
16.2	Capital Reserves		3,686,298	-	3,686,298
16.2.1	Share Premium		1,700,000	-	1,700,000
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		1,986,298	-	1,986,298
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1,328,679	2,212,351	3,541,030
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(27,703)	(1,313,919)	(1,341,622)
16.5	Profit Reserves		28,233,739	-	28,233,739
16.5.1	Legal Reserves		1,532,027	-	1,532,027
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		26,439,072	-	26,439,072
16.5.4	Other Profit Reserves		262,640	-	262,640
16.6	Income or (Loss)		5,689,644	-	5,689,644
16.6.1	Prior Periods' Income or (Loss)		-	-	-
16.6.2	Current Period Income or (Loss)		5,689,644	-	5,689,644
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**153,415,147**	**174,226,978**	**327,642,125**

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AKBANK T.A.Ş.
I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (STATEMENT OF FINANCIAL POSITION)
(Amounts are expressed in thousands of Turkish Lira (TL).)

	LIABILITIES	Note (Section Five)	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	DEPOSITS	(II-a)	92,793,964	92,110,485	184,904,449
1.1	Deposits of Bank's Risk Group	(VII)	2,731,503	3,491,122	6,222,625
1.2	Other		90,062,461	88,619,363	178,681,824
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	4,177,354	1,342,899	5,520,253
III.	FUNDS BORROWED	(II-c)	235,654	29,436,126	29,671,780
IV.	MONEY MARKETS		4,009,373	23,273,667	27,283,040
4.1	Funds from Interbank Money Market		-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-
4.3	Funds Provided Under Repurchase Agreements		4,009,373	23,273,667	27,283,040
V.	SECURITIES ISSUED (Net)	(II-d)	6,112,509	7,740,640	13,853,149
5.1	Bills		3,783,736	-	3,783,736
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		2,328,773	7,740,640	10,069,413
VI.	FUNDS		-	-	-
6.1	Borrower Funds		-	-	-
6.2	Other		-	-	-
VII.	MISCELLANEOUS PAYABLES		4,376,386	1,540,811	5,917,197
VIII.	OTHER LIABILITIES	(II-e)	916,386	185,251	1,101,637
IX.	FACTORING PAYABLES		-	-	-
X.	FINANCIAL LEASE PAYABLES (Net)	(II-f)	5,899	-	5,899
10.1	Financial Lease Payables		7,504	-	7,504
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		1,605	-	1,605
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	-	74,911	74,911
11.1	Fair Value Hedge		-	74,911	74,911
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
XII.	PROVISIONS	(II-h)	2,804,045	987,236	3,791,281
12.1	General Loan Loss Provisions		1,671,841	982,170	2,654,011
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		290,127	-	290,127
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		842,077	5,066	847,143
XIII.	TAX LIABILITY	(II-i)	1,542,106	39,661	1,581,767
13.1	Current Tax Liability		1,149,942	39,661	1,189,603
13.2	Deferred Tax Liability		392,164	-	392,164
XIV.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS		-	-	-
14.1	Held for Sale Purpose		-	-	-
14.2	Related to Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(II-j)	-	1,900,999	1,900,999
XVI.	SHAREHOLDERS' EQUITY	(II-k)	39,258,454	1,166,052	40,424,506
16.1	Paid-in capital		4,000,000	-	4,000,000
16.2	Capital Reserves		5,429,322	1,166,052	6,595,374
16.2.1	Share Premium		1,700,000	-	1,700,000
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Differences		93,155	1,071,594	1,164,749
16.2.4	Property and Equipment Revaluation Differences		2,343,606	5,356	2,348,962
16.2.5	Intangible Assets Revaluation Differences		-	-	-
16.2.6	Investment Properties Revaluation Differences		-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		6,440	-	6,440
16.2.8	Hedging Funds (Effective portion)		(5,729)	89,102	83,373
16.2.9	Value Increase of Assets Held for Sale		-	-	-
16.2.10	Other Capital Reserves		1,291,850	-	1,291,850
16.3	Profit Reserves		23,790,063	-	23,790,063
16.3.1	Legal Reserves		1,392,027	-	1,392,027
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		22,137,126	-	22,137,126
16.3.4	Other Profit Reserves		260,910	-	260,910
16.4	Income or (Loss)		6,039,069	-	6,039,069
16.4.1	Prior Periods' Income or (Loss)		-	-	-
16.4.2	Current Period Income or (Loss)		6,039,069	-	6,039,069
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		156,232,130	159,798,738	316,030,868

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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AKBANK T.A.Ş.
II. UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (TL).)

		Note (Section Five)	CURRENT PERIOD (31/12/2018) TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)			216,635,098	509,765,510	726,400,608
I.	GUARANTEES AND WARRANTIES	(III-2, 3)	22,150,509	31,187,047	53,337,556
1.1	Letters of Guarantee		19,272,359	15,784,791	35,057,150
1.1.1	Guarantees Subject to State Tender Law		404,937	2,056,174	2,461,111
1.1.2	Guarantees Given for Foreign Trade Operations		-	2,835,700	2,835,700
1.1.3	Other Letters of Guarantee		18,867,422	10,892,917	29,760,339
1.2	Bank Acceptances		-	2,740,341	2,740,341
1.2.1	Import Letter of Acceptance		-	2,740,341	2,740,341
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		47,035	6,515,924	6,562,959
1.3.1	Documentary Letters of Credit		47,035	5,817,762	5,864,797
1.3.2	Other Letters of Credit		-	698,162	698,162
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	24,353	24,353
1.8	Other Guarantees		32,845	6,113,927	6,146,772
1.9	Other Collaterals		2,798,270	7,711	2,805,981
II.	COMMITMENTS	(III-1)	42,241,467	22,317,747	64,559,214
2.1	Irrevocable Commitments		41,404,186	22,317,747	63,721,933
2.1.1	Asset Purchase Commitments		6,589,831	8,568,468	15,158,299
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		8,203,743	3,133,344	11,337,087
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		2,514,769	-	2,514,769
2.1.8	Tax and Fund Liabilities from Export Commitments		3,693	-	3,693
2.1.9	Commitments for Credit Card Limits		19,788,847	-	19,788,847
2.1.10	Commitments for Credit Cards and Banking Services Promotions		82,378	-	82,378
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13	Other Irrevocable Commitments		4,220,925	10,615,935	14,836,860
2.2	Revocable Commitments		837,281	-	837,281
2.2.1	Revocable Loan Granting Commitments		837,281	-	837,281
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		152,243,122	456,260,716	608,503,838
3.1	Hedging Derivative Financial Instruments		16,237,238	45,826,317	62,063,555
3.1.1	Fair Value Hedges		4,768,063	16,399,974	21,168,037
3.1.2	Cash Flow Hedges		11,469,175	29,426,343	40,895,518
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		136,005,884	410,434,399	546,440,283
3.2.1	Forward Foreign Currency Buy/Sell Transactions		10,443,845	17,807,630	28,251,475
3.2.1.1	Forward Foreign Currency Transactions-Buy		6,988,529	7,632,814	14,621,343
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,455,316	10,174,816	13,630,132
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		97,935,885	319,716,819	417,652,704
3.2.2.1	Foreign Currency Swap-Buy		37,673,866	102,692,502	140,366,368
3.2.2.2	Foreign Currency Swap-Sell		57,508,699	82,085,637	139,594,336
3.2.2.3	Interest Rate Swap-Buy		1,376,660	67,469,340	68,846,000
3.2.2.4	Interest Rate Swap-Sell		1,376,660	67,469,340	68,846,000
3.2.3	Foreign Currency, Interest Rate and Securities Options		27,559,961	47,939,566	75,499,527
3.2.3.1	Foreign Currency Options-Buy		12,676,191	15,377,034	28,053,225
3.2.3.2	Foreign Currency Options-Sell		14,883,770	13,150,254	28,034,024
3.2.3.3	Interest Rate Options-Buy		-	9,706,139	9,706,139
3.2.3.4	Interest Rate Options-Sell		-	9,706,139	9,706,139
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-
3.2.6	Other		66,193	24,970,384	25,036,577
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			816,015,391	301,573,528	1,117,588,919
IV.	ITEMS HELD IN CUSTODY		39,434,419	19,655,922	59,090,341
4.1	Customer Fund and Portfolio Balances		3,954,484	-	3,954,484
4.2	Investment Securities Held in Custody		2,682,104	2,062,528	4,744,632
4.3	Cheques Received for Collection		26,095,801	2,704,389	28,800,190
4.4	Commercial Notes Received for Collection		6,151,125	3,550,546	9,701,671
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		550,905	11,338,459	11,889,364
4.8	Custodians		-	-	-
V.	PLEDGES RECEIVED		202,070,108	82,992,237	285,062,345
5.1	Marketable Securities		805,358	1,368,190	2,173,548
5.2	Guarantee Notes		763,134	565,924	1,329,058
5.3	Commodity		113,226	7,890	121,116
5.4	Warranty		-	-	-
5.5	Immovables		164,735,077	62,749,122	227,484,199
5.6	Other Pledged Items		35,653,313	18,301,111	53,954,424
5.7	Pledged Items-Depository		-	-	-
VI.	ACCEPTED BILL, GUARANTEES AND WARRANTEES		574,510,864	198,925,369	773,436,233
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,032,650,489	811,339,038	1,843,989,527

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AKBANK T.A.Ş.
II. UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL).)

		Note (Section Five)	TL	PRIOR PERIOD (31/12/2017) FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)			**180,212,631**	**418,215,101**	**598,427,732**
I.	**GUARANTEES AND WARRANTIES**	**(III-2, 3)**	**21,679,216**	**30,921,962**	**52,601,178**
1.1	Letters of Guarantee		18,822,531	16,236,953	35,059,484
1.1.1	Guarantees Subject to State Tender Law		492,470	2,884,919	3,377,389
1.1.2	Guarantees Given for Foreign Trade Operations		-	3,296,726	3,296,726
1.1.3	Other Letters of Guarantee		18,330,061	10,055,308	28,385,369
1.2	Bank Acceptances		198	3,757,904	3,758,102
1.2.1	Import Letter of Acceptance		198	3,757,904	3,758,102
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		7,257	6,858,994	6,866,251
1.3.1	Documentary Letters of Credit		7,257	6,289,394	6,296,651
1.3.2	Other Letters of Credit		-	569,600	569,600
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	10,757	10,757
1.8	Other Guarantees		28,469	4,046,096	4,074,565
1.9	Other Collaterals		2,820,761	11,258	2,832,019
II.	**COMMITMENTS**	**(III-1)**	**39,498,253**	**19,956,730**	**59,454,983**
2.1	Irrevocable Commitments		38,813,809	19,956,730	58,770,539
2.1.1	Asset Purchase Commitments		2,668,087	7,928,578	10,596,665
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		7,108,285	3,253,640	10,361,925
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		6,679,928	-	6,679,928
2.1.8	Tax and Fund Liabilities from Export Commitments		5,586	-	5,586
2.1.9	Commitments for Credit Card Limits		18,431,137	-	18,431,137
2.1.10	Commitments for Credit Cards and Banking Services Promotions		66,262	-	66,262
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13	Other Irrevocable Commitments		3,854,524	8,774,512	12,629,036
2.2	Revocable Commitments		684,444	-	684,444
2.2.1	Revocable Loan Granting Commitments		684,444	-	684,444
2.2.2	Other Revocable Commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**119,035,162**	**367,336,409**	**486,371,571**
3.1	Hedging Derivative Financial Instruments		2,497,225	26,913,498	29,410,723
3.1.1	Fair Value Hedges		2,497,225	12,560,486	15,057,711
3.1.2	Cash Flow Hedges		-	14,353,012	14,353,012
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		116,537,937	340,422,911	456,960,848
3.2.1	Forward Foreign Currency Buy/Sell Transactions		12,418,235	17,769,668	30,187,903
3.2.1.1	Forward Foreign Currency Transactions-Buy		6,102,564	8,990,976	15,093,540
3.2.1.2	Forward Foreign Currency Transactions-Sell		6,315,671	8,778,692	15,094,363
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		87,056,797	224,261,509	311,318,306
3.2.2.1	Foreign Currency Swap-Buy		33,154,806	78,271,569	111,426,375
3.2.2.2	Foreign Currency Swap-Sell		50,563,691	56,498,116	107,061,807
3.2.2.3	Interest Rate Swap-Buy		1,669,150	44,745,912	46,415,062
3.2.2.4	Interest Rate Swap-Sell		1,669,150	44,745,912	46,415,062
3.2.3	Foreign Currency, Interest Rate and Securities Options		16,975,529	83,630,054	100,605,583
3.2.3.1	Foreign Currency Options-Buy		7,745,085	11,982,227	19,727,312
3.2.3.2	Foreign Currency Options-Sell		9,230,444	10,813,503	20,043,947
3.2.3.3	Interest Rate Options-Buy		-	30,417,162	30,417,162
3.2.3.4	Interest Rate Options-Sell		-	30,417,162	30,417,162
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-
3.2.6	Other		87,376	14,761,680	14,849,056
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			**718,235,764**	**214,798,318**	**933,034,082**
IV.	**ITEMS HELD IN CUSTODY**		**35,981,534**	**12,557,967**	**48,539,501**
4.1	Customer Fund and Portfolio Balances		4,329,384	-	4,329,384
4.2	Investment Securities Held in Custody		3,957,316	1,062,605	5,019,921
4.3	Cheques Received for Collection		21,906,910	1,675,367	23,582,277
4.4	Commercial Notes Received for Collection		5,293,887	2,661,455	7,955,342
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		494,037	7,158,540	7,652,577
4.8	Custodians		-	-	-
V.	**PLEDGES RECEIVED**		**153,358,820**	**67,210,869**	**220,569,689**
5.1	Marketable Securities		1,533,214	570,101	2,103,315
5.2	Guarantee Notes		1,061,747	555,781	1,617,528
5.3	Commodity		-	25,310	25,310
5.4	Warranty		-	-	-
5.5	Immovables		113,868,168	49,223,837	163,092,005
5.6	Other Pledged Items		36,895,691	16,835,840	53,731,531
5.7	Pledged Items-Depository		-	-	-
VI.	**ACCEPTED BILL, GUARANTEES AND WARRANTEES**		**528,895,410**	**135,029,482**	**663,924,892**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**898,448,395**	**633,013,419**	**1,531,461,814**

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

AKBANK T.A.Ş.
III. UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSE ITEMS	Note (Section Five)	CURRENT PERIOD (01/01-31/12/2018)
I.	**INTEREST INCOME**	**(IV-a)**	**33,588,997**
1.1	Interest on Loans	(IV-a-1)	25,242,030
1.2	Interest on Reserve Requirements		472,136
1.3	Interest on Banks	(IV-a-2)	696,817
1.4	Interest on Money Market Transactions		225,202
1.5	Interest on Marketable Securities Portfolio	(IV-a-3)	6,901,394
1.5.1	Fair Value Through Profit or Loss		-
1.5.2	Fair Value Through Other Comprehensive Income		5,506,934
1.5.3	Measured at Amortised Cost		1,394,460
1.6	Financial Lease Income		-
1.7	Other Interest Income		51,418
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**19,022,869**
2.1	Interest on Deposits	(IV-b-4)	14,504,876
2.2	Interest on Funds Borrowed	(IV-b-1)	1,499,445
2.3	Interest Expense on Money Market Transactions		1,561,507
2.4	Interest on Securities Issued	(IV-b-3)	1,377,885
2.5	Other Interest Expenses		79,156
III.	**NET INTEREST INCOME (I - II)**		**14,566,128**
IV.	**NET FEES AND COMMISSIONS INCOME**		**3,450,047**
4.1	Fees and Commissions Received		4,475,751
4.1.1	Non-cash Loans		407,054
4.1.2	Other		4,068,697
4.2	Fees and Commissions Paid		1,025,704
4.2.1	Non-cash Loans		1,825
4.2.2	Other		1,023,879
V.	**PERSONNEL EXPENSE (-)**		**2,123,197**
VI	**DIVIDEND INCOME**		**4,601**
VII.	**TRADING INCOME /(LOSS) (Net)**	**(IV-c)**	**(335,589)**
7.1	Trading Gains / (Losses) on Securities		(1,105,607)
7.2	Gains / (Losses) on Derivative Financial Transactions		5,051,575
7.3	Foreign Exchange Gains / (Losses)		(4,281,557)
VIII.	**OTHER OPERATING INCOME**	**(IV-d)**	**985,899**
IX.	**GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)**		**16,547,889**
X.	**EXPECTED CREDIT LOSS (-)**	**(IV-e)**	**6,470,543**
XI.	**OTHER OPERATING EXPENSES (-)**	**(IV-f)**	**3,406,449**
XII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**6,670,897**
XIII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**
XIV.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHO**		**304,959**
XV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**
XVI.	**PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)**		**6,975,856**
XVII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-g)**	**1,286,212**
17.1	Current Tax Provision		818,761
17.2	Deferred Tax Income Effect (+)		967,998
17.3	Deferred Tax Expense Effect (-)		500,547
XVIII.	**CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)**		**5,689,644**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from Non-current Assets Held for Sale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Income from Other Discontinued Operations		-
XX.	**EXPENSES FOR DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses for Non-current Assets Held for Sale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)**		**-**
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)**	**(IV-h)**	**5,689,644**
	Earning/(Loss) per share (in TL full)		0.01422

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AKBANK T.A.Ş.
III. UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSE ITEMS	Note (Section Five)	PRIOR PERIOD (01/01-31/12/2017)
I.	INTEREST INCOME	(IV-a)	23,094,726
1.1	Interest on Loans	(IV-a-1)	18,423,884
1.2	Interest on Reserve Requirements		256,456
1.3	Interest on Banks	(IV-a-2)	222,614
1.4	Interest on Money Market Transactions		31,249
1.5	Interest on Marketable Securities Portfolio	(IV-a-3)	4,148,615
1.5.1	Trading Financial Assets		-
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available-for-sale Financial Assets		3,065,952
1.5.4	Held- to- maturity Investments		1,082,663
1.6	Financial Lease Income		-
1.7	Other Interest Income		11,908
II.	INTEREST EXPENSE	(IV-b)	12,549,749
2.1	Interest on Deposits	(IV-b-4)	10,136,612
2.2	Interest on Funds Borrowed	(IV-b-1)	763,725
2.3	Interest Expense on Money Market Transactions		727,582
2.4	Interest on Securities Issued	(IV-b-3)	877,811
2.5	Other Interest Expenses		44,019
III.	NET INTEREST INCOME (I - II)		10,544,977
IV.	NET FEES AND COMMISSIONS INCOME		2,744,763
4.1	Fees and Commissions Received		3,442,031
4.1.1	Non-cash Loans		262,281
4.1.2	Other		3,179,750
4.2	Fees and Commissions Paid		697,268
4.2.1	Non-cash Loans		1,338
4.2.2	Other		695,930
V.	DIVIDEND INCOME		1,822
VI.	TRADING INCOME /(LOSS) (Net)	(IV-c)	(427,734)
6.1	Trading Gains / (Losses) on Securities		192,292
6.2	Gains / (Losses) on Derivative Financial Transactions		(938,962)
6.3	Foreign Exchange Gains / (Losses)		318,936
VII.	OTHER OPERATING INCOME	(IV-d)	1,262,507
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		14,126,335
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-e)	2,313,232
X.	OTHER OPERATING EXPENSES (-)	(IV-f)	4,661,609
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		7,151,494
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		365,117
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XV.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)		7,516,611
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-g)	1,477,542
16.1	Current Tax Provision		1,436,074
16.2	Deferred Tax Provision		41,468
XVII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)		6,039,069
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-
18.1	Income from Non-current Assets Held for Sale		-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
18.3	Income from Other Discontinued Operations		-
XIX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
19.1	Expenses for Non-current Assets Held for Sale		-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Expenses for Other Discontinued Operations		-
XX.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
21.1	Current Tax Provision		-
21.2	Deferred Tax Provision		-
XXII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	(IV-h)	6,039,069
	Earning/(Loss) per share (in TL full)		0.01510

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AKBANK T.A.Ş.
IV. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (TL).)

		CURRENT PERIOD (31/12/2018)
I.	CURRENT PERIOD INCOME/LOSS	5,689,644
II.	OTHER COMPREHENSIVE INCOME	(1,201,290)
2.1	Not Reclassified Through Profit or Loss	392,840
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	6,579
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	387,708
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1,447)
2.2	Reclassified Through Profit or Loss	(1,594,130)
2.2.1	Foreign Currency Translation Differences	789,507
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(2,878,494)
2.2.3	Cash Flow Hedge Income/Loss	315,637
2.2.4	Foreign Net Investment Hedge Income/Loss	(493,088)
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Lossess	
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	672,308
XII.	TOTAL COMPREHENSIVE INCOME (I+II)	4,488,354

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AKBANK T.A.Ş.
IV. UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY	PRIOR PERIOD (31/12/2017)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE- FOR- SALE FINANCIAL ASSETS	1,116,476
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	2,465,549
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	TRANSLATION DIFFERENCES FROM FOREIGN CURRENCY TRANSACTIONS	-
V.	PROFIT/LOSS FROM CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion of Fair Value Changes)	59,343
VI.	PROFIT/LOSS FROM FOREIGN NET INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS	-
VIII.	OTHER INCOME/EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(53,168)
IX.	TAX RELATED TO VALUATION DIFFERENCES	(388,223)
X.	NET INCOME/EXPENSE DIRECTLY ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	3,199,977
XI.	CURRENT PERIOD INCOME / LOSS	6,039,069
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit/Loss)	20,994
11.2	Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	(37,240)
11.3	Part of Foreign Net Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.4	Other	6,055,315
XII.	TOTAL INCOME / LOSS ACCOUNTED FOR THE PERIOD (X±XI)	9,239,046

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AKBANK T.A.Ş.
V. UNCONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						
		Note (Section Five)	Paid-in Capital	Share Premiums	Share 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)	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
	CURRENT PERIOD (31/12/2018)															
I.	**Prior Period End Balance**		4,000,000	1,700,000	-	1,405,892	2,348,962	(114,043)	1,113,024	835,299	(777,134)	83,374	23,790,063	-	6,039,069	40,424,506
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		-	-	-	580,406	-	-	(58,324)	-	110,969	-	-	-	-	633,051
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	580,406	-	-	(58,324)	-	110,969	-	-	-	-	633,051
III.	**Adjusted Beginning Balance (I+II)**		4,000,000	1,700,000	-	1,986,298	2,348,962	(114,043)	1,054,700	835,299	(666,165)	83,374	23,790,063	-	6,039,069	41,057,557
IV.	Total Comprehensive Income		-	-	-	-		5,132	387,708	789,507	(2,245,225)	(138,412)	-		5,689,644	4,488,354
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-		-	-
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		-	-	-	-	(141,429)	-	-	-	-	-	4,607		-	(136,822)
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	4,439,069	-	(6,039,069)	(1,600,000)
11.1	Dividends paid		-	-	-	-	-	-	-	-	-	-	-		(1,600,000)	(1,600,000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,439,069		(4,439,069)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-		-	-
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)		**4,000,000**	**1,700,000**	**-**	**1,986,298**	**2,207,533**	**(108,911)**	**1,442,408**	**1,624,806**	**(2,911,390)**	**(55,038)**	**28,233,739**	**-**	**5,689,644**	**43,809,089**

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AKBANK T.A.Ş.

V. UNCONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	Paid-in Capital	Adjustment to Share Capital(*)	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Valuation Differences	Property & Equipment Revaluation Differences	Bonus Shares from Invest. in Ass., Subs. and J.V.	Hedging Transactions	Val. Chan. in Prop. and Eq. HFS Purp./ Disc. Opr.	Total Shareholders' Equity
	PRIOR PERIOD (**) (31/12/2017)																	
I.	Begining Balance		4,000,000	1,405,892	1,700,000	-	1,322,027	-	18,718,299	49,517	4,820,455	-	271,568	47,106	4,895	35,899	-	32,375,658
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)		4,000,000	1,405,892	1,700,000	-	1,322,027	-	18,718,299	49,517	4,820,455	-	271,568	47,106	4,895	35,899	-	32,375,658
	Changes in the period																	-
IV.	Increase/Decrease due to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	601,438	-	-	-	-	601,438
VI.	Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	47,474	-	47,474
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	47,474	-	47,474
6.2	Foreign Net Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Property and Equipment Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	2,301,856	-	-	-	2,301,856
VIII.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	1,545	-	-	1,545
X.	Translation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	(42,534)	(291,743)	-	291,743	-	-	-	-	(42,534)
XIX.	Current Year Income or (Loss)		-	-	-	-	-	-	-	-	6,039,069	-	-	-	-	-	-	6,039,069
XX.	Profit Distribution		-	-	-	-	70,000	-	3,418,827	139,885	(4,528,712)	-	-	-	-	-	-	(900,000)
20.1	Dividends paid		-	-	-	-	-	-	-	-	(900,000)	-	-	-	-	-	-	(900,000)
20.2	Transfers to Reserves		-	-	-	-	70,000	-	3,418,827	139,885	(3,628,712)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+V+......+XVIII+XIX+XX)		**4,000,000**	**1,405,892**	**1,700,000**	**-**	**1,392,027**	**-**	**22,137,126**	**146,868**	**6,039,069**	**-**	**1,164,749**	**2,348,962**	**6,440**	**83,373**	**-**	**40,424,506**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(*) The amounts for the "Paid-in Capital Inflation Adjustment Difference" and "Actuarial Loss/Gain" which is in the "Other Reserves" are presented under "Other Capital Reserves'' in the financial statements.

(**) Section Three part I-b.

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

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

AKBANK T.A.Ş.

VI. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	CURRENT PERIOD (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	Operating Profit before changes in operating assets and liabilities		6,311,610
1.1.1	Interest received		27,999,682
1.1.2	Interest paid		(18,569,345)
1.1.3	Dividend received		1,789
1.1.4	Fees and commissions received		4,479,655
1.1.5	Other income		104,190
1.1.6	Collections from previously written-off loans and other receivables		1,834,700
1.1.7	Payments to personnel and service suppliers		(2,340,208)
1.1.8	Taxes paid		(208,122)
1.1.9	Other		(6,990,731)
1.2	Changes in operating assets and liabilities		(7,521,041)
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(143,111)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions		(572,936)
1.2.3	Net (increase) / decrease in loans		(620,240)
1.2.4	Net (increase) / decrease in other assets		(7,130,822)
1.2.5	Net increase / (decrease) in bank deposits		(5,511,414)
1.2.6	Net increase / (decrease) in other deposits		8,586,740
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8	Net increase / (decrease) in funds borrowed		9,980,005
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities		(12,109,263)
I.	Net cash provided from banking operations		(1,209,431)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	Net cash provided from investing activities		3,933,041
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(62,000)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(1,570,997)
2.4	Disposals of property and equipment		975,474
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(11,916,127)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		12,403,113
2.7	Purchase of Financial Assets Measured at Amortised Cost		1,654,189
2.8	Sale of Financial Assets Measured at Amortised Cost		2,449,389
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	Net cash provided from financing activities		(411,491)
3.1	Cash obtained from funds borrowed and securities issued		23,421,961
3.2	Cash used for repayment of funds borrowed and securities issued		(22,214,304)
3.3	Issued equity instruments		-
3.4	Dividends paid		(1,600,000)
3.5	Payments for finance leases		(19,148)
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		4,232,846
V.	Net increase in cash and cash equivalents (I+II+III+IV)		6,544,965
VI.	Cash and cash equivalents at beginning of the period	(V)	10,935,232
VII.	Cash and cash equivalents at end of the period	(V)	17,480,197

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.
VI. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	PRIOR PERIOD (31/12/2017)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit before changes in operating assets and liabilities		8,844,747
1.1.1	Interest received		21,042,634
1.1.2	Interest paid		(12,411,188)
1.1.3	Dividend received		1,822
1.1.4	Fees and commissions received		3,547,888
1.1.5	Other income		851,707
1.1.6	Collections from previously written-off loans and other receivables		967,336
1.1.7	Payments to personnel and service suppliers		(2,058,406)
1.1.8	Taxes paid		(1,126,334)
1.1.9	Other		(1,970,712)
1.2	Changes in operating assets and liabilities		(6,617,378)
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		-
1.2.2	Net (increase) / decrease in due from banks and other financial institutions		-
1.2.3	Net (increase) / decrease in loans		3,680,188
1.2.4	Net (increase) / decrease in other assets		(29,482,769)
1.2.5	Net increase / (decrease) in bank deposits		(7,848,197)
1.2.6	Net increase / (decrease) in other deposits		6,454,150
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		19,484,661
1.2.8	Net increase / (decrease) in funds borrowed		(1,420,011)
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities		2,514,600
I.	Net cash provided from banking operations		2,227,369
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(8,592,422)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(6,455)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(473,075)
2.4	Disposals of property and equipment		47,429
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(17,020,195)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		10,092,518
2.7	Purchase of Financial Assets Measured at Amortised Cost		(226)
2.8	Sale of Financial Assets Measured at Amortised Cost		765,997
2.9	Other		(1,998,415)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		4,200,919
3.1	Cash obtained from funds borrowed and securities issued		11,368,375
3.2	Cash used for repayment of funds borrowed and securities issued		(6,245,034)
3.3	Issued equity instruments		-
3.4	Dividends paid		(900,000)
3.5	Payments for finance leases		(22,422)
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		685,442
V.	Net increase in cash and cash equivalents (I+II+III+IV)		(1,478,692)
VI.	Cash and cash equivalents at beginning of the period	(V)	12,413,924
VII.	Cash and cash equivalents at end of the period	(V)	10,935,232

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(*) Section Three part I-b.

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

AKBANK T.A.Ş.
VII. PROFIT APPROPRIATION STATEMENT
(Amounts are expressed in thousands of Turkish Lira (TL)).

		CURRENT PERIOD (31/12/2018)
I.	DISTRIBUTION OF CURRENT YEAR INCOME	
1.1	CURRENT YEAR INCOME	6,975,856
1.2	TAXES AND DUTIES PAYABLE	1,286,212
1.2.1	Corporate Tax (Income Tax)	818,761
1.2.2	Income Withholding Tax	
1.2.3	Other taxes and duties	467,451
A.	NET INCOME FOR THE YEAR (1.1-1.2)	5,689,644
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)]	5,689,644
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	0.015
3.2	TO OWNERS OF ORDINARY SHARES (%)	1.5
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 (%)	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.
(2) Profit appropriation is being done according to unconsolidated financial statements.

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

AKBANK T.A.Ş.
VII. PROFIT APPROPRIATION STATEMENT
(Amounts are expressed in thousands of Turkish Lira (TL)).

		PRIOR PERIOD (31/12/2017)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**	
1.1	CURRENT YEAR INCOME	7,516,611
1.2	TAXES AND DUTIES PAYABLE	1,477,542
1.2.1	Corporate Tax (Income Tax)	1,436,074
1.2.2	Income Withholding Tax	-
1.2.3	Other taxes and duties	41,468
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**6,039,069**
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)]**	**6,039,069**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	200,000
1.6.1	To Owners of Ordinary Shares	200,000
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 (-)	1,400,000
1.9.1	To Owners of Ordinary Shares	1,400,000
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 (-)	140,000
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	4,291,946
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	7,123
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	0.015
3.2	TO OWNERS OF ORDINARY SHARES (%)	1.5
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 (%)	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.
(2) Profit appropriation is being done according to unconsolidated financial statements.
(3) Profit appropriation was made according to the financial statements of the Parent Bank before the starting valuation of its subsidiaries through equity management.For this reason, the profit figure on the non-consolidated financial statements as of December 31, 2016 is different from the profit figure on the above table.

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

SECTION THREE
EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION:

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value. Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

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

Explanations on IFRS 16 Leases Standard:

The "IFRS 16 Leases" standard was published in the official gazette dated 16 April 2018 and numbered 29826 for the period beginning after 31 December 2018. In this standard, the difference between the operating lease and the finance lease has been eliminated, and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment.

The Bank has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019.

The Bank will apply this standard on January 1, 2019, which is the mandatory date of implementation. The Bank plans to use simplified transition implementation and not to change comparable figures for the year before the first application.

b. Explanation for convenience translation to English:

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

c. Accounting policies and valuation principles used in the preparation of the financial statements:

Accounting policies and valuation principles used in the preparation of financial statements are determined in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). In accordance with the transition requirements of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the period 2017 are included in Section three notes XXIX. Implementation and effects for the transition of TFRS 9 are explained in Section three notes XXVIII.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND EXPLANATIONS ON FOREIGN CURRENCY TRANSACTIONS:

The Bank's core business activities include retail banking, commercial banking, and corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. By nature, the Bank's activities are principally related to the use of financial instruments. As the main funding source, the Bank accepts deposits from customers for various periods and invests these funds in high quality assets with high interest margins. Other than deposits, the Bank's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Bank follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank's exposure to liquidity risk, interest rate risk, currency risk and credit risk while increasing profitability and strengthening the Bank's equity. The Asset-Liability Committee ("ALCO") manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee ("ERC").

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "Net foreign exchange income/expense". Foreign currency denominated subsidiaries, which are accounted with acquisition cost method, are translated with the foreign exchange rates prevailing at the acquisition date.

As of 31 December 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,2600 and TL 6,0182 for USD and EURO respectively.

III. EXPLANATIONS ON EQUITY INVESTMENTS:

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard" ("TAS 27").

Financial associates and subsidiaries are accounted by using the equity method as described in the "Turkish Accounting Standard for Investments in Associates and Joint Ventures" ("TAS 28"). The carrying value of financial subsidiaries with the equity method is reflected to the financial statements considering the Bank's share of the net assets of the subsidiary. While the Bank's share on profits or losses of financial subsidiaries are accounted in the Bank's income statement, the Bank's share in other equity of financial subsidiaries are reflected in the Bank's shareholders' equity. Dividend income from those subsidiaries are accounted by reducing the book value of the subsidiary.

Non-financial associates and subsidiaries are stated with their cost values at the financial statements in accordance with the "Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard" ("TAS 27"). The right to receive dividends from non-financial subsidiaries is reflected to the income statement.

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IV. EXPLANATIONS ON FORWARD TRANSACTIONS OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Bank are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). In accordance with TAS 39, although certain derivative transactions provide effective economic hedges under the Bank's risk management position, they are treated as derivatives "Held-for-trading".

Payables and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Trading derivative financial assets" or "Hedging derivative financial assets"; if the fair value difference is negative, it is disclosed in "Trading derivative financial liabilities" or "Hedging derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement. The basis on accounting of derivative instruments for hedging purposes are explained in Note VIII of Section Four. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

An embedded derivative shall be separated from host contract only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss

If an embedded derivative is separated, the host contract shall be accounted for under TAS 39 if it is a financial instrument and in accordance with other appropriate standards if it is not a financial instrument. If the underlying contract is closely related to the embedded derivative, the embedded derivative is accounted for in accordance with the standard which the underlying contract is based on without any separation from the contract.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". Starting from 1 January 2018, the Bank has started to calculate interest accrual on non-performing loans. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

Fees and commission income/expenses are primarily recognized on an accrual basis or or "Effective interest rate method" and TFRS 15 "Revenue from Contracts with Customers" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. 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

The Bank recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

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

Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; 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.

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 interest at certain dates, they are classified as fair value through other comprehensive income.

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. Interest income calculated with effective interest rate 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.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition the Bank can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

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 interest 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 effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

"Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices

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used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year. At the end of the year, the real inflation rate is used.

d. Derivative Financial Assets:

The major derivative instruments utilized by the Bank are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

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

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

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 Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". 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 principles for the recognition of derivative transactions intended for hedging purposes are disclosed in the note numbered VIII of Section Four. 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.

e. Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortised cost using the "Effective Interest Rate (internal rate of return) Method".

1. Loans measured at amortised cost:

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

Stage 1:

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

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

2. Loans measured at fair value through profit or loss:

In certain circumstances cases, restructuring or altering the contractual cash flows of a financial instrument may result in the disposal of the existing financial asset in accordance with TFRS 9. A revised financial asset is considered as a new financial asset when the change in the financial asset is once excluded from the financial statement and the revised financial asset is recognized in accordance with TFRS 9.

The Bank assesses whether the new financial asset contains solely payments of principal and interest when the new conditions for the instrument have determined that there are significant changes compared to the initial conditions in the relevant contracts.

In the event that the contractual conditions for the financial asset do not result in cash flows that include solely payments of principal and interest on certain dates, the related financial asset is recognized with its fair value and is subject to valuation.

Definition of Default:

The Bank considers that there is a default on the relevant debt in the following two cases:

1. Objective Default Definition: It means that the debt is overdue by more than 90 days. The definition of default, which is applicable to the Bank and its consolidated financial institutions, is based on the criteria that the debt is overdue by more than 90 days. If the debt is delayed by 90 days, it is not considered as a default. The situation of default is valid after 91th days.

2. Subjective Default Definition: It means that it is determined the debt will not be paid off. If the borrower deemed to be unable to fulfill the debt obligations, borrower should be considered as defaulted whether there is a overdue payment or number of days.

Write-off Policy:

According to the Bank's financial asset is completely write-off from the Bank financial statement. If there is a process that the financial asset has reached its default status and does not have any expectation that it will be recovered.

Partial write-off means that its is agreed that a financial asset will be repaid by the debtor at a certain rate and the amount remaining after the payment of such amount is deducted from the financial statements.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

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" published in the Official Gazette dated 22 June 2016 numbered 29750. 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 estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation – Input and Forecasting Methodologies

Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk.

- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing Expected Credit Loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance. Calculated LGD remains constant until its overdue.

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- Exposure at Default: Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the bmaturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Within the scope of TFRS 9, models of Probability of default (PD), Lost given default (LGD) and Exposure at default (EAD) have been developed. The models used by the IRB "(Internal Rating Based Approach)" are taken into account when creating these models. The models developed under TFRS 9 have a detailed segment structure. Loans that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the loans is taken into consideration.

1. Customer type (retail or corporate / commercial)
2. Product type
3. IRB rating notes /scores
4. Customer credit performance
5. Collateral type
6. Collection Period
7. Exposure at default

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There is no update in the assumptions in the estimation techniques.

- Model risk parameters and macroeconomic estimation models have been updated with recent data.

- Expected Credit Loss calculation has practiced with using multi-scenario structure by using updated macroeconomic model scenarios

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of the Bank moves the default rate calculated for each maturity up or down.The main parameters of default ratio model are "Growth Rate" and "Policy Interest". Therefore, the calculated provisions can change when the macroeconomic expectations are taken into consideration.

The PD values subject to the ECL calculation have been obtained for the following portfolios.

Consumer/Commercia	Portfolio
Consumer	Consumer
Consumer	Automotive
Consumer	Mortgage
Consumer	Credit Card
Consumer	Overdraft Account
Commercial	Micro
Commercial	Company
Commercial	Commercial
Commercial	Corporate

The prospective expectations have been determined based on 2 scenarios, base scenario and negative scenario. Each scenario has predetermined weights. Final allowances are calculated by weighting the probability given to the scenarios.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

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

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortized cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal return) method".

Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest rate method".

The Bank has no securities lending transactions.

XI. EXPLANATIONS ON PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH THESE ASSETS:

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing 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 (TAS 5)".

The Bank has no discontinued operations.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Bank has no goodwill.

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.

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 January 2017. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

Where the carrying amount of an asset is greater than its estimated "Net realizable value amount", it is written down to its "Net realizable value amount" and the impairment loss is charged to the income statement.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Vault	5 years
Transportation Vehicles	5 years
Other property and equipments	3-7 years

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

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease its costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Fixed assets obtained through financial leasing are classified in tangible assets and depreciation is charged on a straight-line basis over the useful life of the asset. If there is impairment in value of the leased asset, an impairment is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not provide financial leasing services as a "Lessor".

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in notes.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may 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.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Employment termination benefits and vacation rights:

Obligations related to employment termination and vacation rights are accounted in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability. In accordance with TAS 19, actuarial gains and losses are recognized in equity.

b. Retirement Rights:

The Bank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund") established in accordance with the Social Security Law numbered 506, temporary article No.20. The financial statements of the Pension Fund have been audited as of year ends by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette no. 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution ("SSI") within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette numbered 28156 dated 28 December 2011.

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The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the ''Social Insurance and General Health Insurance Law no. 5510'' published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published in the Official Gazette no. 28987 dated 30 April 2014.The Council of Ministers has been authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published on the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

With respect to that, according to the technical balance sheet report as at 31 December 2018 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. 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.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

XVIII. EXPLANATIONS ON TAXATION:

a. Current Tax:

In Turkey, corporate tax rate is 20%. Corporate tax rate will be applied as 22% for a period of three years in 2018-2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. The corporate tax rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and exclusion of deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are 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 thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income with current rate. Advance tax is declared by the 14th day and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax 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. Companies file their tax returns until the 25th day of the following fourth month after the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing 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.

Current tax, related to items recognized directly in equity is also credited or charged directly to equity.

b. Deferred Tax:

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realised or the liability is settled. For the periods 2021 and after deferred tax assets and liabilities were measured by 20% tax rate.

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

Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018. Deferred tax calculation is not made for free provisions.

Deferred tax assets and liabilities are presented on a net basis by considering the domestic and foreign branches' financial statements separately.

Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

XIX. EXPLANATIONS ON BORROWINGS:

Debt instruments with different characteristics such as syndicated and securitized borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Bank. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated by using the "Effective interest rate method".

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

There is no share certificate issuance in 2018.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2018 and 31 December 2017, there is no government grant for the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING:

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and,

c. for which discrete financial information is available.

Reporting according to the operational segments is presented in Note IX of Section Four.

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XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

The Ordinary General Assembly Meeting of the Bank was held on 26 March 2018. In the Ordinary General Assembly, it was decided to distribute a TL 1.600.000 cash dividend over the TL 6.039.069 net income from 2017 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 7.123 to special funds account under other capital reserves, to allocate TL 140.000 as legal and TL 4.291.946 as extraordinary reserves.

XXV. EARNINGS PER SHARE:

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

	Current Period 31 December 2018
Net Profit for the Year	5.689.644
Average Number of Issued Common Shares (Thousand)	400.000.000
Earnings Per Share (Amounts presented as full TL)	**0,01422**

	Prior Period 31 December 2017
Net Profit for the Year	6.039.069
Average Number of Issued Common Shares (Thousand)	400.000.000
Earnings Per Share (Amounts presented as full TL)	**0,01510**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares issued in 2018 (2017: None).

XXVI. RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411 are deemed as related parties. Transactions with related parties are presented in Note VI of Section Five.

XXVII. CASH AND CASH EQUIVALENT ASSETS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVIII. RECLASSIFICATIONS:

The prior period financial statements have been restated in order to be consistent with the presentation of financial statements dated 31 December 2018.

XXIX. DISCLOSURES 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 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

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.

Classification and measurement of financial assets

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 (SPPI).

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

The Bank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Significant increase in credit risk:

If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the stage II. For stage I loans expected loss (provision) amounts are calculated for 1-year and for stage II loans expected loss (provision) is calculated for the remaining life of the loan.

In addition, the key considerations in determining whether a significant increase in the credit risk of financial asset and transferring it to stage 2, but are not limited with these, the following;

- Number of over due date is 30 or more
- Restructuring of loans
- If the loan classified as under follow-up
- Assessment of significant increase in the probability of impairment based on rating notes.

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Definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from bank's internal rating-based credit rating models and probability of default on reporting date. If the loan's estimated probability of default on reporting date exceeds the threshold values determined, it is considered to be worsening of the probability of default.

Explanations of the effect from Bank's application of TFRS 9 can be found below:

a. Classification and measurement of financial assets:

	Before TFRS 9		In scope of TFRS 9	
Financial assets	Measurement Bases	Book value 31 December 2017	Measurement Bases	Book value 1 January 2018
Cash Balances and Central Bank	Measured at amortized cost	35.363.166	Measured at amortized cost	35.363.166
Banks and Money Markets	Measured at amortized cost	9.668.940	Measured at amortized cost	9.668.940
Marketable Securities	Fair value through profit and loss	-	Fair value through profit and loss	84.865
	Fair value through other comprehensive income	40.806.570	Fair value through other comprehensive income	45.791.159
	Measured at amortized cost	18.883.032	Measured at amortized cost	13.956.847
Derivative Financial Assets	Fair value through profit and loss	9.280.913	Fair value through profit and loss	9.280.913
	Fair value through other comprehensive income	131.448	Fair value through other comprehensive income	131.448
Loans (Gross)	Measured at amortized cost	194.889.059	Measured at amortized cost	194.889.059

b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9

Financial Instruments	Book Value before TFRS 9 31 December 2017	Reclassifications	Remeasurements	Book value after TFRS 9 1 January 2018
Measured at amortized cost				
Balance before classification (held-to-maturity)	18.883.032	-	-	-
Classified to Fair Value Through Other Comprehensive Income	-	(4.927.185)	-	-
Book value after classification	-	-	-	13.955.847
Fair value through P/L				
Balance before classification (for trading purpose)	-	-	-	-
Classified from available sale	-	84.865	-	-
Book value after classification	-	-	-	84.865
Fair Value Through Other Comprehensive Income				
Book value before classification(available-for-sale)	40.806.570	-	-	-
Classified from held-to-maturity	-	4.927.185	-	-
Available-for-sale financial assets valuation difference	-	-	142.269	-
Financial Assets At Fair Value Through Profit Or Loss	-	(84.865)	-	-
Book value after classification	-	-	-	45.791.159

The reasons for the classification of certain financial assets held by the Bank as above in accordance with the TFRS 9 classification and measurement provisions are explained below:

1. Financial assets classified as fair value through other comprehensive income according to TFRS 9:

The Bank has reassessed the management model for the collection of contractual cash flows in the security portfolio or for the sale of the financial assets and cash flows depending on the contract. The Bank has classified the securities portfolio amounting TL 4.927.185, which were classified as measured at amortized cost, as fair value through other comprehensive income due to the reason that appropriate management model of those marketable securities have the purpose of collecting cash flows or selling financial assets.

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

The Bank has classified equity securities amounting to TL 84.865, which were classified as available-for-sale financial assets to designated at fair value through profit or loss as of the first application date of TFRS 9.

3. Classification of financial instruments based on equity in accordance with TFRS 9 standard:

The Bank has decided to allocate the strategic investments to financial instruments based on equity which are not traded in the organized markets, that were previously classified as available-for-sale, as designated at Fair Value Through Other Comprehensive Income irrevocably. The fair value changes of those marketable securities is not reclassified to profit and loss when they are sold.

4. Reclassification of categorised items without a change in measurement

In addition to the statements above, since the previous categories under IAS 39 of the debt instruments below were "out of action" under IAS 39 , the following borrowing instruments are reclassified in new categories under TFRS 9 without changing any measurement principles.

(i) Previously classified as "available-for-sale" and as of 1 January 2018 classified as "Fair Value Through Other Comprehensive Income".

(ii) Previously classified as held-to-maturity and as of 1 January 2018 classified as "measured at amortized cost".

c. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

The table below shows the reconciliation of the provision for impairment of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	**6.880.506**	**(1.062)**	**6.879.444**
Stage 1	984.881	(324.278)	660.603
Stage 2	121.358	2.368.839	2.490.197
Stage 3	4.380.092	(651.448)	3.728.644
Other (*)	1.394.175	(1.394.175)	-
Financial Assets (**)	**89.368**	**(5.558)**	**83.810**
Non-Cash Loans (***)	**131.983**	**11.078**	**143.061**
Stage 1 and 2	64.229	18.302	82.531
Stage 3	67.754	(7.224)	60.530
Total	**7.101.857**	**4.458**	**7.106.315**

(*) As of 31 December 2017 the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no: 29918. The Bank's provision ratios are over these minimum ratios. Surplus provision amount of TL 1.4 billion (full TL amount) over the minimum provision ratios is included in the "Other" line on the table above.
(**) 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.
(***) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

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Effects on equity with TFRS 9 transition:

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to IFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 4.458 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Other Capital Reserves" in shareholders' equity.

The difference between the provision for impairment of the subsidiaries accounted by the equity method as at 31 December 2017 and the expected loss provision calculated in accordance with TFRS 9 as of 1 January 2018 amounting to TL 58.324 is recognized under "Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss " in Equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018,. Within this scope, deferred tax assets amounting to TL 729.771 have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Other Capital Reserves" in shareholders' equity. For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 144.907 is classified under "Other Capital Reserves" in equity as of 1 January 2018.

Remeasurement difference regarding the after tax effect, amounting TL 110.969, for the securities amounting TL 4.927.185 classified as held to maturity and measured at amortized cost before 1 January 2018 and with the TFRS 9 transition classified as designated fair value through other comprehensive income.

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

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

The Bank categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming at short-term profit making. All regular purchases and sales of trading financial assets are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank. Trading financial assets 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. Interest earned while holding trading financial assets is accounted as interest income and dividends received are included separately in dividend income.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes.

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

b. Available-for-sale financial assets:

Available-for-sale financial assets consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Available-for-sale financial assets are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, available-for-sale financial assets are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest rate method and dividend income from equity securities are reflected to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of securities classified as available-for-sale are recognized in the account of "Marketable securities valuation differences" under shareholders' equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

c. Loans and Receivables:

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or available-for-sale financial assets, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "Effective interest rate method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

The Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA.

Specific provisions are accounted under "Provision for Loan Losses and Other Receivables" in the income statement and recorded as expense in the related year. If a receivable is collected which is provisioned in the same year, it is deducted from the "Provision for Loan Losses and Other Receivables". If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under "Other Operating Income". Uncollectible receivables are written-off after all the legal procedures are finalized.

d. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets 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 effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

Total capital amount and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks"

As of 31 December 2018, the current period equity of the Bank has been calculated as TL 50.058.868 (31 December 2017: TL 44.403.105), the capital adequacy ratio is 18,16% (31 December 2017: 17,03%). This ratio is above the minimum ratio required by the legislation.

a. Information about total capital items:

	Current Period 31 December 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	5.986.298	
Share issue premiums	1.700.000	
Reserves	28.233.739	
Gains recognized in equity as per TAS	5.268.307	
Profit	5.689.644	
Current Period Profit	5.689.644	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	6.440	
Common Equity Tier 1 Capital Before Deductions	**46.884.428**	
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	295	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	3.404.909	
Improvement costs for operating leasing	32.437	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	548.673	473.714
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	-	
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	**3.986.314**	
Total Common Equity Tier 1 Capital	**42.898.114**	

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	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
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)	**42.898.114**	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	4.734.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.404.678	
Tier II Capital Before Deductions	**7.164.262**	
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	**7.164.262**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**50.062.376**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th 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 (-)	3.508	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	50.058.868	
Total risk weighted amounts	275.675.906	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	15,56%	
Tier 1 Capital Adequacy Ratio	15,56%	
Capital Adequacy Ratio	18,16%	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	1,93%	
a) Bank specific total common equity tier 1 capital ratio	1,88%	
b) Capital conservation buffer requirement	0,05%	
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	7,56%	
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	(260.285)	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.799.798	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(***)	2.430.262	
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 January 1, 2018 and January 1, 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 in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

(**) Systemically Important Bank Buffer ratio represented as 0.00% since it is necessary to fill systemically Important Bank Buffer Ratio for systematic important banks that are not obligated to prepare consolidated financial statements in accordance with the "Systemically Important Banks Regulation, Article 4 paragraph 4".

(***) The deferred tax asset represents the net amount.

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	Prior Period 31 December 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	5.405.892	
Share issue premiums	1.700.000	
Reserves	23.790.063	
Gains recognized in equity as per TAS	3.513.711	
Profit	6.039.069	
Current Period Profit	6.039.069	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	6.440	
Common Equity Tier 1 Capital Before Deductions	**40.455.175**	
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	20.035	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	114.042	
Improvement costs for operating leasing	18.332	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	333.721	292.020
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	-	
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	**486.130**	
Total Common Equity Tier 1 Capital	**39.969.045**	

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ADDITIONAL TIER I 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	83.430	-
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)	**39.885.615**	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.870.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.654.011	
Tier II Capital Before Deductions	**4.524.011**	
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	**4.524.011**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**44.409.626**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th 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 (-)	6.521	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	44.403.105	
Total risk weighted amounts	260.790.923	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	15,33%	
Tier 1 Capital Adequacy Ratio	15,29%	
Capital Adequacy Ratio	17,03%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,27%	
a) Capital conservation buffer requirement	1,25%	
b) Bank specific counter-cyclical buffer requirement	0,02%	
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	7,33%	
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	367.461	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.654.011	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.654.011	
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 January 1, 2018 and January 1, 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 in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

(**) Systemically Important Bank Buffer ratio represented as 0.00% since it is necessary to fill systemically Important Bank Buffer Ratio for systematic important banks that are not obligated to prepare consolidated financial statements in accordance with the "Systemically Important Banks Regulation, Article 4 paragraph 4".

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b. Information about instruments that will be included in total capital calculation:

	Current Period 31 December 2018
Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) (CUSIP, ISIN vb.)	XS1574750292 / US00972BAB53
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.630 million TL (in full TL amount)
Nominal value of instrument	2.630 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans (347011 Accounting Number)
Issuance date of instrument	15 March 2017
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 1 day (Maturity date: 16 March 2027)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 16.03.2022. The reimbursement amount is 2.630 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	7,2%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of " Own fund regulation"	The instrument is not in compliant with article numbered 7.

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	Current Period 31 December 2018
Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) (CUSIP, ISIN vb.)	XS1772360803 / US00972BAC37
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.104 million TL (in full TL amount)
Nominal value of instrument	2.104 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans (347011 Accounting Number)
Issuance date of instrument	27 February 2018
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 60 day (Maturity date: 27 April 2028)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 27.04.2023. The reimbursement amount is 2.104 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6,8%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of " Own fund regulation"	The instrument is not in compliant with article numbered 7.

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c. The difference between Total Capital and Equity in the unconsolidated 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 expected credit loss from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts, by reducing 20% each year if the remaining maturity is less than 5 year, are taken into consideration as Tier II Capital. Additionally, the losses reflected to equity under TAS which is subject to deduction from TIER I capital are determined by excluding the losses from cash flow hedging. 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, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

For daily treasury operations limit allocation and follow-up is performed by the Treasury.Business Unit.

Credit worthiness of loan and other receivable debtors are watched regularly and in line with related regulations. In case of an increase in credit debtor's risk level credit limits are re-determined or additional guarantee is taken. For new credit accounts, account follow-up documents are taken in accordance with the related regulation.

The explanations on definition of overdue and impaired loans and information related to impairment and loan loss provisions are provided in Note X-c-4-a of Section Four

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	77.375.753	83.200.753
Conditional and unconditional receivables from regional or local governments	26.833	24.897
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	15.754	44.878
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	84.425.692	94.105.291
Conditional and unconditional receivables from corporates	165.358.574	175.358.868
Conditional and unconditional receivables from retail portfolios	86.588.749	92.442.639
Conditional and unconditional receivables secured by mortgages	28.216.164	26.327.690
Past due receivables	3.277.986	1.541.736
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	458.683	336.248
Equity security investments	5.462.209	5.091.462
Other receivables	9.216.778	8.863.992
Total	**460.423.175**	**487.338.454**

(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

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b. Control limits exist on forward transaction and option agreements and other positions that are held in terms of similar other agreements. Credit risk born out of these types of instruments is managed together with market risk.

c. The risks of the forward, option and other similar type agreements are followed regulary and as deemed necessary based on the credit risk, the risks are tried to be minimized.

d. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk. Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

The Bank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

e. The Bank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

When considered within the financial activities of other financial institutions, the Bank as an active participant in the national and international banking market is not exposed to significant credit risk concentration.

As seen in the Bank's balance sheet, the ratio of loans under follow-up to total loans is as low as 4,1% (31 December 2017: 2,3%).

f. 1. The proportion of the Bank's top 100 and 200 cash loan customers' in total cash loans is 37% and 44% respectively. (31 December 2017: 32% and 39%).

2. The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 65% and 80%. (31 December 2017: 61% and 74%)

3. The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 23% and 29% respectively. (31 December 2017: 21% and 27%)

g. The Bank provided a general excpected credit loss provision (Stage 1 and Stage 2) amounting to TL 3.799.798 (31 December 2017: TL 2.654.011).

h. Information on loan types and expected credit loss provisions:

Current Period-31.12.2018	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Excpected Credit Loss	Balance	Excpected Credit Loss	Balance	Excpected Credit Loss	Balance	Excpected Credit Loss
Loans	**147.212.581**	**5.537.450**	**30.310.657**	**1.476.364**	**15.543.270**	**928.150**	**193.066.508**	**7.941.964**
Stage 1	111.001.153	352.523	25.569.867	179.790	13.096.826	105.190	149.667.846	637.503
Stage 2	23.637.816	2.257.273	3.572.225	336.290	1.659.792	148.050	28.869.833	2.741.613
Stage 3	5.883.404	2.927.654	1.168.565	960.284	786.652	674.910	7.838.621	4.562.848
Financial assets at FVPL	6.690.208	-	-	-	-	-	6.690.208	-
Financial Assets	**73.178.347**	**33.291**	**-**	**-**	**-**	**-**	**73.178.347**	**33.291**
Other	**14.475.064**	**59.393**	**-**	**-**	**-**	**-**	**14.475.064**	**59.393**
Non-Cash Loans	**53.337.557**	**378.740**	**-**	**-**	**-**	**-**	**53.337.556**	**378.740**
Stage 1 and 2	53.157.125	327.999	-	-	-	-	53.157.125	327.999
Stage 3	180.431	50.741	-	-	-	-	180.431	50.741
Total	**288.203.548**	**6.008.874**	**30.310.657**	**1.476.364**	**15.543.270**	**928.150**	**334.057.475**	**8.413.388**

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

i. Information on the expected credit loss of loans: (***)

	Stage 1	Stage 2	Stage 3
Opening (1 January 2018)	**660.603**	**2.490.197**	**3.728.644**
Additions (*)	305.713	1.245.250	2.734.051
Disposal (**)	(181.950)	(208.775)	(186.605)
Effect of change in foreign exchange	33.180	28.751	-
Stage 1 and 2 movement			
Loans classified under Stage 1 in two periods (Parameter effect)	29.939	-	-
Loans classified under Stage 1 in two periods (Change in balance effect)	(109.292)	-	-
Transfers from Stage 1 to Stage 2 (Stating and balance change effect)	(106.912)	485.415	-
Loans classified under Stage 2 in two periods (Parameter effect)	-	489.749	-
Loans classified under Stage 2 in two periods (Change in balance effect)	-	(74.292)	-
Transfers from Stage 2 to Stage 1 (Stating and balance change effect)	16.305	(118.020)	-
Stage 3 movement			
Transfers from Stage 1 to Stage 3	(10.083)	-	165.482
Transfers from Stage 2 to Stage 3	-	(24.412)	186.599
Loans classified under Stage 2 in two periods (Change in balance effect)	-	-	(873.592)
Write-offs (****)	-	(1.572.250)	-
Sold Portfolio effect	-	-	(1.191.731)
Closing (31 December 2018)	**637.503**	**2.741.613**	**4.562.848**

(*) Loans which are not included in the loan portfolio as of 1 January 2018 and included in the credit portfolio and calculated provisions as of 31 December 2018

(**) Loans which are included in the credit portfolio and calculated provisions as of 1 January 2018 but which are not included in the loan portfolio as of 31 December 2018.

(***) In the calculations the transitions between the records in both periods have been considered by making additions and disposals

(****) Within the acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has been write-off the provisions related to cash loan exposure amounted TL 1.598 millon allocated in previous years and TL 1.671 million allocated in current year from Stage 2 provisions. At the same time, the Bank has been transferred TL 3.269 million of related cash loan from stage 2 to stage 3 and subsequently write off TL 3.269 millon.

j. Information on movement of loans (**):

	Stage 1	Stage 2	Stage 3	Total
Opening (1 January 2018)	**175.018.782**	**15.337.567**	**4.532.711**	**194.889.060**
Additions	27.697.330	4.406.505	1.308.237	33.412.072
Disposals	(49.881.774)	(7.459.088)	(636.180)	(57.977.042)
Sold portfolio	-	-	(1.218.371)	(1.218.371)
Write-offs	-	-	(3.279.933)	(3.279.933)
Transfers to Stage 1	1.843.142	(1.843.142)	-	-
Transfers to Stage 2	(18.439.332)	18.439.332	-	-
Transfers to Stage 3	(2.449.258)	(4.682.899)	7.132.157	-
Foreign exchange effect	15.878.956	4.671.558	-	20.550.514
Closing	**149.667.846**	**28.869.833**	**7.838.621**	**186.376.300**

(*) Wihin the scope of acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has transferred cash loan risk amounted TL 3.269 millon from "Loans and receviables under follow up" to "Non-performing Loans" and subsequently write off TL 3.269 millon.

(**) Loans classifed at Fair Value Through Profit or Loss are not included.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

k. Information on debt securities, treasury bills and other eligible bills:

Current Period - 31 December 2018	Financial Assets at Fair Value Through P&L (Net)	Financial Assets at Fair Value Through Other Comprehensive Income (Net)	Financial Assets Measured at Amortised Cost (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	-	840	-	840
Ba2	-	484	-	484
Ba3	-	37.161.069	9.754.326	46.915.395
B1, B2, B3	-	4.960.073	2.509.155	7.469.228
Total	-	42.122.467	12.263.481	54.385.948

Prior Period - 31 December 2017	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	1.377	-	1.377
Ba1	-	40.232.452	18.406.623	58.639.075
Ba2	-	196.879	476.409	673.288
Total	-	40.430.708	18.883.032	59.313.740

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

n. Profile on significant risks in significant regions:

Current Period	Risk Categories (*)																	
31 December 2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	76.949.745	26.833	10.949	-	-	12.884.517	124.831.371	55.459.737	27.395.994	2.758.130	-	-	-	-	458.683	18.369	9.216.778	310.011.106
European Union Countries	388.749	-	-	-	-	20.981.857	6.397.193	20.618	11.903	519.818	-	-	-	-	-	607	-	28.320.745
OECD Countries(**)	-	-	-	-	-	3.530.073	24.590	1.853	3.047	5	-	-	-	-	-	-	-	3.559.568
Off- Shore Regions	-	-	-	-	-	117.626	-	86	228	-	-	-	-	-	-	-	-	117.940
USA, Canada	-	-	-	-	-	9.477.127	336.350	2.861	1.464	9	-	-	-	-	-	-	-	9.817.810
Other Countries	-	-	-	-	-	664.063	849.481	9.270	5.044	24	-	-	-	-	-	-	-	1.527.882
Investment and associates, subsidiaries and joint ventures	36.045	-	-	-	-	9.534.064	11.255.069	47.242	-	-	-	-	-	-	-	5.443.234	-	26.315.654
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	77.374.539	26.833	10.949	-	-	57.189.327	143.694.054	55.541.667	27.417.680	3.277.986	-	-	-	-	458.683	5.462.209	9.216.778	379.670.705

Prior Period	Risk Categories (*)																	
31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	86.930.039	55	17.212	-	-	9.840.878	135.082.620	57.400.680	24.111.783	152.619	-	-	-	-	278.032	101.637	7.045.133	320.960.688
European Union Countries	238.047	-	8	-	-	39.972.466	4.890.055	20.990	171.352	-	-	-	-	-	-	161	-	45.293.079
OECD Countries(**)	-	-	-	-	-	1.630.303	190.258	2.204	2.054	-	-	-	-	-	-	-	-	1.824.819
Off- Shore Regions	-	-	-	-	-	134.290	134.190	187	266	-	-	-	-	-	-	-	-	268.933
USA, Canada	-	-	-	-	-	2.915.551	95.488	3.839	2.196	-	-	-	-	-	-	-	-	3.017.074
Other Countries	1.544.270	-	-	-	-	845.181	696.541	11.215	5.293	-	-	-	-	-	-	-	-	3.102.500
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	41.105	692.326	-	-	-	-	-	-	-	-	4.133.098	-	4.866.529
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	88.712.356	55	17.220	-	-	55.379.774	141.781.478	57.439.115	24.292.944	152.619	-	-	-	-	278.032	4.234.896	7.045.133	379.333.622

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

(**) EU countries, OECD countries other than USA and Canada
(***) Assets and liabilities that are not distributed according to a consistent principle

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

o. Risk Profile according to sectors and counterparties:

Current Period	Risk Classifications (*)																			
31 December 2018	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agricultural	-	-	-	-	-	-	43.725	305.395	80.214	3.985	-	-	-	-	-	-	-	421.421	11.898	**433.319**
Farming and raising livestock	-	-	-	-	-	-	29.786	220.086	59.031	2.812	-	-	-	-	-	-	-	311.596	119	**311.715**
Forestry	-	-	-	-	-	-	2.247	81.484	20.330	1.155	-	-	-	-	-	-	-	104.889	327	**105.216**
Fishing	-	-	-	-	-	-	11.692	3.825	853	18	-	-	-	-	-	-	-	4.936	11.452	**16.388**
Manufacturing	-	-	105	-	-	-	49.829.140	5.217.197	3.764.681	728.105	-	-	-	-	-	-	-	27.592.753	31.946.475	**59.539.228**
Mining	-	-	-	-	-	-	1.891.408	177.317	124.645	4.106	-	-	-	-	-	-	-	770.658	1.426.818	**2.197.476**
Production	-	-	105	-	-	-	29.171.236	4.909.748	3.488.272	279.590	-	-	-	-	-	-	-	21.200.579	16.648.372	**37.848.951**
Electricity, Gas, Water	-	-	-	-	-	-	18.766.496	130.132	151.764	444.409	-	-	-	-	-	-	-	5.621.516	13.871.285	**19.492.801**
Construction	-	-	-	-	-	-	25.843.910	2.592.153	3.967.062	427.263	-	-	-	-	-	-	-	16.693.889	16.136.499	**32.830.388**
Services	1.142	26.833	3.109	-	-	57.186.227	61.452.235	15.612.086	11.192.281	1.640.197	-	-	-	-	-	5.449.954	-	71.925.306	80.638.758	**152.564.064**
Wholesale and Retail Trade	-	-	86	-	-	-	19.046.877	12.623.710	4.548.214	633.237	-	-	-	-	-	-	-	30.843.224	6.008.900	**36.852.124**
Hotel,Food,Beverage Services	-	-	-	-	-	-	3.569.950	666.634	1.757.253	276.561	-	-	-	-	-	-	-	3.610.290	2.660.108	**6.270.398**
Transportation and Telecommunication	1.123	-	-	-	-	-	10.338.488	1.123.025	255.169	45.894	-	-	-	-	-	-	-	2.195.551	9.568.148	**11.763.699**
Financial Institutions	-	-	-	-	-	57.186.214	21.062.447	37.238	3.696.818	526.883	-	-	-	-	-	5.448.130	-	30.999.221	56.958.509	**87.957.730**
Real Estate and Lending Services	-	-	-	-	-	-	5.242.827	97.499	250.625	63.633	-	-	-	-	-	-	-	1.115.004	4.539.580	**5.654.584**
Self employment Service	-	-	168	-	-	-	675.867	120.492	128.713	905	-	-	-	-	-	-	-	375.876	550.269	**926.145**
Education Service	18	-	864	-	-	-	260.522	232.330	231.679	54.601	-	-	-	-	-	-	-	681.741	98.273	**780.014**
Health and social Services	1	26.833	1.991	-	-	13	1.255.257	711.158	323.810	38.483	-	-	-	-	-	1.824	-	2.104.399	254.971	**2.359.370**
Other	77.373.397	-	7.735	-	-	3.100	6.525.044	31.814.836	8.413.442	478.436	-	-	-	-	458.683	12.255	9.216.778	90.570.064	43.733.642	**134.303.706**
Total	**77.374.539**	**26.833**	**10.949**	**-**	**-**	**57.189.327**	**143.694.054**	**55.541.667**	**27.417.680**	**3.277.986**	**-**	**-**	**-**	**-**	**458.683**	**5.462.209**	**9.216.778**	**207.203.433**	**172.467.272**	**379.670.705**

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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5. Conditional and unconditional receivables from international organizations
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7. Conditional and unconditional receivables from corporates
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9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
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Prior Period	Risk Classifications (*)																			
31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	1	-	5	-	-	-	79.990	333.117	89.826	-	-	-	-	-	-	-	-	493.652	9.287	**502.939**
Farming and raising livestock	1	-	5	-	-	-	55.084	229.966	68.205	-	-	-	-	-	-	-	-	346.538	6.723	**353.261**
Forestry	-	-	-	-	-	-	24.571	98.805	21.088	-	-	-	-	-	-	-	-	141.900	2.564	**144.464**
Fishing	-	-	-	-	-	-	335	4.346	533	-	-	-	-	-	-	-	-	5.214	-	**5.214**
Manufacturing	11	-	228	-	-	-	45.358.702	5.279.524	3.279.569	-	-	-	-	-	-	-	-	27.184.970	26.733.064	**53.918.034**
Mining	-	-	-	-	-	-	1.050.524	148.059	95.186	-	-	-	-	-	-	-	-	648.912	644.857	**1.293.769**
Production	11	-	225	-	-	-	28.063.301	5.032.438	3.027.418	-	-	-	-	-	-	-	-	21.583.339	14.540.054	**36.123.393**
Electricity, Gas, Water	-	-	3	-	-	-	16.244.877	99.027	156.965	-	-	-	-	-	-	-	-	4.952.719	11.548.153	**16.500.872**
Construction	-	-	71	-	-	-	23.423.012	2.476.848	3.727.479	-	-	-	-	-	-	-	-	15.256.234	14.371.176	**29.627.410**
Services	1.965	51	4.486	-	-	55.370.723	65.841.193	16.561.546	7.866.784	152.619	-	-	-	-	278.032	4.139.818	-	64.209.862	86.007.355	**150.217.217**
Wholesale and Retail Trade	60	11	145	-	-	-	22.002.591	13.448.978	4.954.613	-	-	-	-	-	-	-	-	34.866.569	5.539.829	**40.406.398**
Hotel,Food,Beverage Services	3	-	33	-	-	-	3.289.774	674.354	1.204.706	152.619	-	-	-	-	-	-	-	2.969.497	2.351.992	**5.321.489**
Transportation and Telecommunication	1.749	-	9	-	-	-	9.365.812	1.223.367	282.596	-	-	-	-	-	-	-	-	2.744.654	8.128.879	**10.873.533**
Financial Institutions	6	4	19	-	-	55.370.723	24.917.805	14.506	448.615	-	-	-	-	-	278.032	4.137.994	-	19.418.870	65.748.834	**85.167.704**
Real Estate and Lending Services	-	-	16	-	-	-	3.066.674	90.589	307.056	-	-	-	-	-	-	-	-	998.707	2.465.628	**3.464.335**
Self employment Service	-	-	34	-	-	-	565.073	138.919	40.064	-	-	-	-	-	-	-	-	257.966	486.124	**744.090**
Education Service	110	-	1.152	-	-	-	387.495	194.395	138.490	-	-	-	-	-	-	-	-	660.590	61.052	**721.642**
Health and social Services	37	36	3.078	-	-	-	2.245.969	776.438	490.644	-	-	-	-	-	-	1.824	-	2.293.009	1.225.017	**3.518.026**
Other	88.710.379	4	12.430	-	-	9.051	7.078.581	32.788.080	9.329.286	-	-	-	-	-	-	95.078	7.045.133	90.619.853	54.448.169	**145.068.022**
Total	**88.712.356**	**55**	**17.220**	**-**	**-**	**55.379.774**	**141.781.478**	**57.439.115**	**24.292.944**	**152.619**	**-**	**-**	**-**	**-**	**278.032**	**4.234.896**	**7.045.133**	**197.764.571**	**181.569.051**	**379.333.622**

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
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5. Conditional and unconditional receivables from international organizations
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9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

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p. Term distribution of risks with term structure:

31 December 2018 Risk Categories	Time to Maturity 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Conditional and unconditional receivables from central governments and Central Banks	3.788.846	28.712.492	2.714.916	1.569.610	40.588.675	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	26.833	-
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	3.379	322	1.381	235	5.632	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	23.353.060	1.989.245	2.554.945	6.202.546	23.089.531	-
Conditional and unconditional receivables from corporates	7.487.174	11.253.720	12.019.241	26.227.429	86.706.490	-
Conditional and unconditional receivables from retail portfolios	1.181.176	1.777.918	16.619.883	6.022.201	29.940.489	-
Conditional and unconditional receivables secured by mortgages	496.703	728.052	1.175.528	2.909.950	22.107.446	-
Past due receivables	-	-	-	-	-	3.277.986
Receivables defined under 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	452.558	6.125	-	-	-	-
Equity security investments	5.462.209	-	-	-	-	-
Other Receivables	-	-	-	-	-	9.216.778
Total	**42.225.105**	**44.467.874**	**35.085.894**	**42.931.971**	**202.465.096**	**12.494.764**

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r. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

Ratings given by Fitch Ratings are used in determining risk weight class of the counterparties.Countries' credit note is considered all risk class of receivables from central governments and Central Banks. The ratings of Fitch Ratings are used for Banks and Corporate Receivables asset class and are limited to receivables that have counterparties abroad. If the risk weight class solely consists of receivables from central governments and central banks, the credit ratings of the countries are taken into account. Below are the Credit Quality Degrees corresponding to Fitch Ratings.

Ratings to be matched	Credit Quality Degrees	Fitch
Ratings of long-term credits	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Ratings of short-term credits	1	F1+ and F1
	2	F2
	3	F3
	4	F3 below
	5	---
	6	---
Long-term securitization position ratings	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and aşağısı
Short-term securitization position ratings	1	F1+ and F1
	2	F2
	3	F3
	Others	F3 below
Matchings regarding collective investment institutes	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

Risk amounts according to risk weights:

31 December 2018	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from Equity
Risk Weights												
Amount Before Credit Risk Mitigation	66.259.968	-	25.793.799	-	24.600.298	67.590.483	194.096.515	1.329.641	-	-	-	3.508
Amount After Credit Risk Mitigation	71.675.396	-	23.958.453	11.266.221	26.528.137	50.692.912	180.625.289	1.329.641	-	-	-	3.508

s. Miscellaneous information regarding important sectors or counterparty type:

31 December 2018 Sectors/Counterparties	Loans (*) Significant Increase in Credit Risk (Stage II)	Loans (*) Impaired Receivables Credit-Impaired Losses (Stage III / Specific Provision)	Provisions(*) Expected Credit Loss Provisions
Agricultural	72.949	11.781	13.886
Farming and raising livestock	65.361	8.549	10.964
Forestry	6.851	3.060	2.749
Fishing	737	172	173
Manufacturing	4.588.462	1.650.303	1.657.571
Mining	415.911	31.584	103.417
Production	2.347.073	837.649	770.116
Electricity, Gas, Water	1.825.478	781.070	784.038
Construction	6.865.057	942.587	1.099.722
Services	10.905.261	3.162.657	2.406.154
Wholesale and Retail Trade	2.984.750	1.731.592	1.376.666
Hotel, Food, Beverage Services	655.463	352.695	169.600
Transportation and Telecommunication	346.176	114.479	102.309
Financial Institutions	6.409.506	607.349	427.129
Real Estate and Lending Service	55.985	144.627	85.074
Self Employment Service	29.969	4.632	5.952
Education Service	93.050	104.043	55.431
Health and social services	330.362	103.240	183.993
Other	6.438.105	2.071.293	2.127.128
Total	**28.869.834**	**7.838.621**	**7.304.461**

(*) Breakdown of cash loans
(**) Loans classifed at Fair Value Through Profit or Loss are not included.

t. Information related to impairment and loan loss provisions:

31 December 2018	Opening Balance (Book value before TFRS 9) 31 December 2017	Remeasurements	Opening Balance (Book value efter TFRS 9) 1 January 2018	Provisions recognised during the period	Provision reversal	Other measurements (*)	Closing Balance
Specific Provisions (Stage 3)	4.380.092	(651.448)	3.728.644	7.196.600	(1.779.199)	(4.583.197)	4.562.848
General Loan Loss Provisions (Stage 1 and 2)	2.500.414	650.386	3.150.800	228.316	-	-	3.379.116

(*) Consists of write-offs and sold portfolio from non-performing loans.

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u. Risk involved in counter-cyclical capital buffer calculation:

Country of ultimate risk	31 December 2018 Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	184.462.306	10.082.868	194.545.174
Ireland	5.414.094	-	5.414.094
Holland	1.703.616	-	1.703.616
Great Britain	455.188	-	455.188
Russian Federation	323.068	-	323.068
Luxemburg	161.222	-	161.222
France	132.000	-	132.000
USA	42.206	-	42.206
Croatia	26.146	-	26.146
Egypt	24.964	-	24.964
Other	79.092	-	79.092

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Bank keeps the foreign exchange exposure amount within the limits set by the ERC. The ERC, taking into account the economic conditions and market developments, sets a limit for the size of a foreign exchange exposure.

Those limits are individually determined and followed for both the net overall foreign currency position and for the foreign exchange exposure. Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

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

	USD	EURO
Balance Sheet Evaluation Rate	TL 5,2600	TL 6,0182
1.Day bid rate	TL 5,2609	TL 6,0280
2.Day bid rate	TL 5,2609	TL 6,0280
3.Day bid rate	TL 5,2609	TL 6,0280
4.Day bid rate	TL 5,2889	TL 6,0245
5.Day bid rate	TL 5,2832	TL 6,0185

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD : TL 5,3045
EURO : TL 6,0400

As of 31 December 2017;

	USD	EURO
Balance Sheet Evaluation Rate	TL 3,7400	TL 4,4773

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Information related to Bank's Currency Risk:

The table below summarizes the Bank's net foreign currency position, categorized by currency. Foreign currency indexed assets are classified as Turkish Lira assets according to the Uniform Chart of Accounts. In currency risk calculation, foreign currency indexed assets are considered as foreign currency items. In accordance with the "Communiqué on Calculation of Foreign Currency Net Position/Capital Standard Ratio by banks in stand-alone and consolidated basis"; prepaid expenses in assets and expected credit loss for loans classified under Stage I and Stage II, provision and shareholders' equity in liabilities are excluded in the currency risk calculation. Therefore, there are differences between the amounts of foreign currency denominated assets and liabilities demonstrated on the table below and the amounts on the balance sheet.

Current Period – 31 December 2018	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank (**)	9.326.071	12.382.346	3.680.043	**25.388.460**
Banks	2.846.666	13.201.611	1.489.768	**17.538.045**
Financial Assets at Fair Value through Profit or Loss (Net)	-	137.461	-	**137.461**
Interbank Money Market Placements	-	539.374	-	**539.374**
Available-for-sale Financial Assets (Net)	4.599.441	12.529.315	623.000	**17.751.756**
Loans (*****)	33.289.984	36.560.021	41.218	**69.891.223**
Investments in Associates, Subsidiaries and Joint Ventures	4.248.193	-	-	**4.248.193**
Held-to-maturity Investments (Net)	951.598	5.369.039	-	**6.320.637**
Hedging Derivative Financial Assets	-	295.237	68.271	**363.508**
Tangible Assets (Net)	-	7.039	-	**7.039**
Intangible Assets (Net)	-	24	-	**24**
Other Assets (****)	2.196.202	6.430.690	7.183	**8.634.075**
Total Assets	**57.458.155**	**87.452.157**	**5.909.483**	**150.819.795**
Liabilities				
Bank Deposits (**)	1.996.134	1.789.292	1.916.139	**5.701.565**
Foreign Currency Deposits (**)	25.571.919	70.827.128	4.829.624	**101.228.671**
Funds from Interbank Money Market	305.335	8.904.355	-	**9.209.690**
Borrowings	8.080.363	30.995.556	-	**39.075.919**
Marketable Securities Issued (Net) (***)	60.868	12.805.970	120.004	**12.986.841**
Miscellaneous Payables	2.180.492	813.158	2.428	**2.996.078**
Hedging Derivative Financial Liabilities	-	41.041	-	**41.041**
Other Liabilities	909.304	1.109.299	70.138	**2.088.741**
Total Liabilities	**39.104.415**	**127.285.799**	**6.938.332**	**173.328.546**
Net on Balance Sheet Position	**18.353.740**	**(39.833.642)**	**(1.028.849)**	**(22.508.751)**
Net off-Balance Sheet Position (*)	**(16.122.157)**	**39.852.964**	**804.793**	**24.535.600**
Financial Derivative Assets	31.450.484	107.136.471	3.339.712	**141.926.667**
Financial Derivative Liabilities	47.572.641	67.283.507	2.534.919	**117.391.067**
Non-cash Loans	**14.405.397**	**16.299.783**	**481.867**	**31.187.047**
Prior Period - 31 December 2017				
Total Assets	44.938.495	85.007.185	6.149.914	**136.095.594**
Total Liabilities	41.929.742	111.253.802	4.466.972	**157.650.516**
Net on-Balance Sheet Position	**3.008.753**	**(26.246.617)**	**1.682.942**	**(21.554.922)**
Net off-Balance Sheet Position (*)	**(2.733.764)**	**27.283.553**	**(1.697.625)**	**22.852.164**
Financial Derivative Assets	31.885.922	71.667.162	3.143.152	**106.696.236**
Financial Derivative Liabilities	34.619.686	44.383.609	4.840.777	**83.844.072**
Non-cash Loans	**12.348.460**	**18.170.729**	**402.773**	**30.921.962**

(*) Presents the net balance of receivables and payables from derivative transactions. Foreign Exchange spot dealings shown under "Asset purchase commitments" in the financial statements are included in the net off-balance sheet position.

(**) Of the Cash Equivalents and Central Bank and Other FC, TL 3.490.205 (31 December 2017: TL 5.220.523) of the foreign currency deposits TL 2.484.399 (31 December 2017: TL 1.451.430) and Bank Deposits Other FC of the TL 1.892 (31 December 2017: TL 1.426) are precious metal deposit account in demand.

(***) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.

(****)Trading derivative financial assets are classified under other assets and prepaid assets amounted TL 86.577 (31 December 2017: TL 67.506) is excluded in the financial statements.

(*****) The foreign currency indexed loans balance in the Turkish Lira accounts is TL 3.062.779 (31 December 2017: TL 4.511.626) and and includes provision amount of TL 120.518.

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Currency risk sensitivity analysis:

The following table details the Bank's sensitivity to a 10% change in exchange rates.

Change in exchange rate	Effect on Profit/Loss(*) Current Period 31 December 2018
(+) 10%	(13.240)
(-) 10%	13.240

(*) Presents amounts before Tax..

Change in exchange rate	Effect on Profit/Loss(*) Prior Period 31 December 2017
(+) 10%	(57.884)
(-) 10%	57.884

(*) Presents amounts before Tax.

IV. EXPLANATIONS ON INTEREST RATE RISK:

"Interest Rate Risk" can be defined as the impact of interest rate changes on interest-sensitive asset and liability items of both on and off-balance sheets of the Bank. The ERC sets limits for the interest rate sensitivity of on and off-balance sheet items and the sensitivity is closely monitored and reported weekly. In the case of high market fluctuations, daily transaction based reporting and analyses are made.

The Bank manages the interest rate risk on a portfolio basis and tries to minimize the risk effect on the profitability, financial exposure and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, or varying the rates for the short or long-term positions are applied actively.

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

Current Period – 31 December 2018	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	14.451.277	-	-	-	-	15.662.515	**30.113.792**
Banks	6.075.151	685.932	300.997	-	-	10.939.905	**18.001.985**
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	143.587	**143.587**
Interbank Money Market Placements	539.374	-	-	-	-	-	**539.374**
Available-for-sale Financial Assets (Net)	3.678.380	4.887.321	13.359.043	13.580.275	6.617.448	251.040	**42.373.507**
Loans(***)	55.087.838	21.142.152	47.565.777	53.797.444	7.634.676	(103.343)	**185.124.544**
Held-to-maturity Investments (Net)	2.486.106	1.484.991	4.220.066	2.968.019	1.104.299	-	**12.263.481**
Other Assets (****)	6.104.539	10.197.376	5.470.269	2.639.713	2.176.093	12.493.865	**39.081.855**
Total Assets	**88.422.665**	**38.397.772**	**70.916.152**	**72.985.451**	**17.532.516**	**39.387.569**	**327.642.125**
Liabilities							
Bank Deposits	4.705.106	860.447	406.303	-	-	1.477.434	**7.449.290**
Other Deposits	109.552.447	22.853.750	10.806.988	54.868	12	37.673.698	**180.941.763**
Funds from Interbank Money Market	6.282.201	4.659.775	2.120.223	-	-	-	**13.062.199**
Miscellaneous Payables	760.770	1.263.581	730.525	186.714	4231,714439	4.459.366	**7.405.188**
Marketable Securities Issued (Net) (*)	513.813	1.840.646	466.547	6.802.095	7.313.382	-	**16.936.483**
Borrowings	5.189.460	27.458.373	6.896.462	171.731	11.139	-	**39.727.165**
Other Liabilities (**)	3.363.061	5.593.390	3.404.785	953.110	18.968	48.786.723	**62.120.037**
Total Liabilities	**130.366.858**	**64.529.962**	**24.831.833**	**8.168.518**	**7.347.733**	**92.397.221**	**327.642.125**
Balance Sheet Long Position	-	-	46.084.319	64.816.933	10.184.783	-	**121.086.035**
Balance Sheet Short Position	(41.944.193)	(26.132.190)	-	-	-	(53.009.652)	**(121.086.035)**
Off-balance Sheet Long Position	9.508.780	12.014.068	-	1.746.729	1.699.121	-	**24.968.698**
Off-balance Sheet Short Position	-	-	(11.680.714)	-	-	-	**(11.680.714)**
Total Position	**(32.435.413)**	**(14.118.122)**	**34.403.605**	**66.563.662**	**11.883.904**	**(53.009.652)**	**13.287.984**

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.

(**) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

(***) Non-performing loans net-off related provision for expected loss of stage 3 loans an expected losses for stage 1 and stage 2 are presented in "non-interest bearing" column. Despite the fact that interest accrued is accounted for non-performing loans since 1 January 2018, these amounts are included in "non-interest bearing" in the lack of other relevant column.

(****) Trading derivative financial assets are classified under other assets.

Prior Period – 31 December 2017	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	22.746.114	-	-	-	-	12.617.052	**35.363.166**
Banks	1.538.119	505.976	8.190	-	-	6.064.494	**8.116.779**
Financial Assets at Fair Value Through Profit or Loss (Net)	2.202.675	619.342	1.056.898	3.127.245	1.271.347	-	**8.277.507**
Interbank Money Market Placements	1.552.161	-	-	-	-	-	**1.552.161**
Available-for-sale Financial Assets (Net)	2.683.884	4.059.452	11.324.668	14.877.476	7.485.228	375.862	**40.806.570**
Loans	44.312.136	27.112.638	48.405.456	61.021.007	9.505.111	152.619	**190.508.967**
Held-to-maturity Investments (Net)	2.548.880	3.854.641	2.623.044	8.897.479	958.988	-	**18.883.032**
Other Assets	589.993	420.351	233.306	1.535.836	696.590	9.046.610	**12.522.686**
Total Assets	**78.173.962**	**36.572.400**	**63.651.562**	**89.459.043**	**19.917.264**	**28.256.637**	**316.030.868**
Liabilities							
Bank Deposits	8.775.288	2.539.344	482.203	-	-	1.163.106	**12.959.941**
Other Deposits	107.548.204	20.902.574	9.696.769	51.787	8	33.745.166	**171.944.508**
Funds from Interbank Money Market	9.629.612	13.354.188	4.299.240	-	-	-	**27.283.040**
Miscellaneous Payables	342.333	523.202	439.295	106.715	-	4.505.652	**5.917.197**
Marketable Securities Issued (Net) (*)	1.499.934	4.450.149	644.810	4.279.281	4.879.974	-	**15.754.148**
Borrowings	2.383.576	20.828.919	5.481.800	964.285	13.200	-	**29.671.780**
Other Liabilities (**)	541.144	1.074.747	1.160.265	2.233.121	875.855	46.615.122	**52.500.254**
Total Liabilities	**130.720.091**	**63.673.123**	**22.204.382**	**7.635.189**	**5.769.037**	**86.029.046**	**316.030.868**
Balance Sheet Long Position	-	-	41.447.180	81.823.854	14.148.227	-	**137.419.261**
Balance Sheet Short Position	(52.546.129)	(27.100.723)	-	-	-	(57.772.409)	**(137.419.261)**
Off-balance Sheet Long Position	6.886.207	21.065.911	165.074	-	-	-	**28.117.192**
Off-balance Sheet Short Position	-	-	-	(19.497.554)	(5.994.678)	-	**(25.492.232)**
Total Position	**(45.659.922)**	**(6.034.812)**	**41.612.254**	**62.326.300**	**8.153.549**	**(57.772.409)**	**2.624.960**

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Shareholders' equity is presented under "Other liabilities" item in "Non-interest bearing".

b. Average interest rates for monetary financial instruments (%):

Average interest rates in the above tables are the weighted average rates of the related balance sheet items.

Current Period – 31 December 2018	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	2,00	-	13,00
Banks	0,42	2,34	-	24,00
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-
Interbank Money Market Placements	-	2,27	-	-
Available-for-sale Financial Assets (Net)	2,55	4,60	3,09	20,97
Loans	4,72	7,87	9,06	18,70
Held-to-maturity Investments (Net)	3,58	4,89	-	26,70
Liabilities				
Bank Deposits (**)	0,21	3,34	-	22,55
Other Deposits (**)	1,00	3,44	0,01	17,20
Funds from Interbank Money Market	2,39	3,19	-	23,80
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net) (*)	4,00	5,63	1,29	18,62
Borrowings	2,89	5,64	-	11,59

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Demand deposit balances are included in average interest rate calculation.

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Prior Period – 31 December 2017	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	1,50	-	7,83
Banks	0,03	1,47	-	13,58
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-
Interbank Money Market Placements	-	-	-	14,21
Available-for-sale Financial Assets (Net)	3,11	4,16	3,09	12,48
Loans	4,23	6,14	4,24	14,54
Held-to-maturity Investments (Net)	3,62	4,11	-	13,22
Liabilities				
Bank Deposits (**)	0,54	1,93	-	10,81
Other Deposits (**)	1,19	2,76	0,04	10,51
Funds from Interbank Money Market	1,92	2,46	-	12,44
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)(*)	4,00	5,58	1,29	12,54
Borrowings	1,04	3,27	-	6,71

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Demand deposit balances are included in average interest rate calculation.

V. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES:

The Bank doesn't have any subsidiaries and affiliates that are traded on the ''BIST''.

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. Liquidity risk arises from situations in which the Bank is unable to meet the cash outflows with its cash sources and borrowing opportunities over collateralizing marketable securities, in case of sudden fund withdrawals by the individual/institutional funders of the Bank.

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

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet Bank's liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank has capacity to meet a high risk with broad and stable deposit, strong base capital structure and diversified foreign borrowing sources and is capable of providing additional liquidity with high quality liquid securities in its portfolio and available limits at both the Central Bank of Turkey and other Money markets.

Management of liquidity risk is shared by the ERC, ALCO, Treasury Department and Risk Management Department. The ERC determines the liquidity management policies and the appropriate liquidity risk level in line with the Bank's risk appetite and monitors whether the liquidity risk is managed under the framework of determined policies and within the defined limits.

The different categories of defined limits are;

- Limits related to wholesale funding sources,
- Limits related to liquid asset buffer,
- Limits related to loan/deposit ratio,
- Limits related to the cash inflows coverage capacity to cash outflows,
- Limits related to cash outflow coverage capacity in the stress environment

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ALCO takes decision to use alternative funding sources, pricing of obtained funds and granted loans, and other decisions of Daily liquidity management. Treasury Department ensures that the Bank meets its short, middle and long term liabilities, with the transactions made in accordance with ALCO decisions order to utilize excess funding or close the funding gap, occurring on foreign currencies or maturity terms. Risk Management Department measures and monitors the liquidity risk, with the reports prepared and analyses made, and informs the top management. Liquidity risk reporting consists of periodic and special purpose reports prepared to be discussed in the ERC and ALCO meetings, stress tests, scenario analyses, risk limit compliance reports and legal liquidity reports.

b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

Each of the Bank's subsidiaries within the consolidation scope manages its own liquidity. Nevertheless, there are defined limits related to the funding amount that the Bank will provide to a subsidiary, in case of liquidity issues. Cumulative liquidity gap resulted in stress scenarios of subsidiaries, should not exceed the fund limits provided by the Bank.

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

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposit, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury Unit performs necessary work to obtain long term foreign funding.

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Almost all of the Bank's liabilities are in TL, USD or EUR currencies and TL funds comprise of mainly equity and deposits. The Bank's liquidity in TL is managed with repurchase agreements made at CBRT/BIST using high quality securities owned by the Bank. Together with keeping the main purpose as using liabilities in TL in funding assets in TL, foreign currency liabilities are used in creating assets in TL using foreign exchange swaps, when necessary. Liquidity management is performed in the scope of internal risk limits, such as short term borrowing limits from markets determined by the Bank, market concentration limits, liquidity stress scenario, and cumulative liquidity gap.

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration. The Bank has available foreign currency borrowing limits at CBRT/BIST and other banks.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposit.

f) Information on the use of stress tests:

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, ERC and related business units.

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g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the ERC. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

Liquidity Coverage Ratio:

		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
Current Period – 31.12.2018		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			60.025.493	39.034.305
CASH OUTFLOWS					
2	Retail and Customers Deposits	132.751.704	67.576.217	12.206.839	6.757.622
3	Stable deposits	21.366.636	-	1.068.332	-
4	Less stable deposits	111.385.068	67.576.217	11.138.507	6.757.622
5	Unsecured Funding other than Retail and Small Business Customers Deposits	73.951.844	52.982.997	36.477.135	25.690.445
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	70.967.382	52.694.173	34.741.930	25.403.022
8	Other Unsecured Funding	2.984.462	288.824	1.735.205	287.423
9	Secured funding	-	-	49.042	49.042
10	Other Cash Outflows	62.451.184	40.437.642	52.745.407	31.431.163
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	51.672.308	30.432.582	51.672.308	30.432.582
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	10.778.876	10.005.060	1.073.099	998.581
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	835.255	-	41.763	-
15	Other irrevocable or conditionally revocable commitments	62.212.690	17.395.360	3.110.634	869.768
16	**TOTAL CASH OUTFLOWS**			**104.630.820**	**64.798.040**
CASH INFLOWS					
17	Secured Lending Transactions	3.797.452	3.797.452	-	-
18	Unsecured Lending Transactions	38.549.640	26.912.078	32.293.832	25.922.641
19	Other contractual cash inflows	45.627.671	29.869.981	45.624.117	29.869.903
20	**TOTAL CASH INFLOWS**	**87.974.763**	**60.579.511**	**77.917.949**	**55.792.544**
				Upper limit applied amounts	
21	**TOTAL HQLA STOCK**			**60.025.493**	**39.034.305**
22	**TOTAL NET CASH OUTFLOWS**			**28.620.215**	**16.258.677**
23	**Liquidity Coverage Ratio (%)**			**212,05**	**241,44**

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
Prior Period – 31.12.2017		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			56.413.734	34.310.197
CASH OUTFLOWS					
2	Retail and Customers Deposits	114.391.986	48.606.857	10.351.709	4.860.686
3	Stable deposits	21.749.795	-	1.087.490	-
4	Less stable deposits	92.642.191	48.606.857	9.264.219	4.860.686
5	Unsecured Funding other than Retail and Small Business Customers Deposits	66.825.560	38.825.541	34.791.134	20.273.150
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	63.138.337	38.092.653	32.388.358	19.540.329
8	Other Unsecured Funding	3.687.223	732.888	2.402.776	732.821
9	Secured funding	-	-	52.055	52.055
10	Other Cash Outflows	54.923.129	33.138.483	46.752.222	25.308.026
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	45.848.351	24.439.579	45.848.351	24.439.579
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	9.074.778	8.698.904	903.871	868.447
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	726.168	-	36.308	-
15	Other irrevocable or conditionally revocable commitments	59.254.388	16.732.292	2.962.719	836.615
16	**TOTAL CASH OUTFLOWS**			**94.946.147**	**51.330.532**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	14.486.537	6.093.400	9.919.639	5.419.997
19	Other contractual cash inflows	42.964.669	34.122.095	42.963.659	34.121.988
20	**TOTAL CASH INFLOWS**	**57.451.206**	**40.215.495**	**52.883.298**	**39.541.985**
				Upper limit applied amounts	
21	**TOTAL HQLA STOCK**			**56.413.734**	**34.310.197**
22	**TOTAL NET CASH OUTFLOWS**			**42.062.849**	**13.651.341**
23	**Liquidity Coverage Ratio (%)**			**134,41**	**255,67**

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits, bank deposits, foreign funds and borrowings from banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Periodic increases are observed in the liquidity coverage ratio during the weeks where the foreign currency reserve option is used in reserve requirements in CBRT, high amounts are maintained in bank placements or repurchase agreement volume decreases, on the other hand, fluctuations may occur in the liquidity coverage ratio during the weeks where the share of corporate or bank funds increase, or long term foreign funds which are replaced when due, such as syndicated loans are due in one month. Despite these fluctuations, it is observed that the ratio does not decrease below 180% during the period and remain at a quite higher level that the legal lower limit.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions, especially in foreign exchange swaps cause the foreign currency liquidity coverage ratio to be affected.

The Bank's high quality liquid assets mainly comprise of CBRT accounts by 46% and securities issued by Undersecreteriat of the Treasury by 48%. Funding sources are mainly distributed between individual and retail deposits by 62%, corporate deposits by 28%, and borrowings from banks by 4% and collateralized borrowings such as repurchase agreements by 4%.

Cash outflow amounting to TL 5,797 million (in full TL amount) is calculated based on the change of margin call amounts of derivative transactions and repurchase agreements during the last two years.

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The Bank follows up and manages the liquidity coverage ratio including its foreign branch. There is no limitation which avoids liquidity transfer between the Bank and the foreign branch. In this context, the foreign branch does not create any additional liquidity risk for the Bank.

In accordance with the "Regulation On Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, the weeks in which the highest and the lowest liquidity coverage ratio is calculated over the last three months are presented below.

	Current Period- 31.12.2018	
	TL+FC	**FC**
Lowest	180,81	189,41
Week	21.12.2018	28.12.2018
Highest	257,19	286,89
Week	9.11.2018	9.11.2018

	Prior Period - 31.12.2017	
	TL+FC	**FC**
Lowest	127,48	206,53
Week	01.12.2017	15.12.2017
Highest	142,96	293,10
Week	06.10.2017	06.10.2017

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Breakdown of assets and liabilities according to their outstanding maturities:

Current Period – 31 December 2018	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank	18.742.242	11.232.472	139.078	-	-	-	-	30.113.792
Banks	10.939.905	6.075.151	685.932	300.997	-	-	-	18.001.985
Financial Assets at Fair Value Through Profit or Loss (Net)	143.587	-	-	-	-	-	-	143.587
Interbank Money Market Placements	-	539.374	-	-	-	-	-	539.374
Available-for-sale Financial Assets (Net)	251.040	2.940	1.219.806	3.706.662	27.690.627	9.502.432	-	42.373.507
Loans (*****)	-	35.366.453	21.848.892	39.577.279	65.117.391	23.317.872	(103.343)	185.124.544
Held-to-maturity Investments (Net)	-	-	678.442	2.840.029	7.640.711	1.104.299	-	12.263.481
Other Assets (*)	80.448	2.647.566	1.088.152	3.529.138	12.848.462	7.979.614	10.908.475	39.081.855
Total Assets	**30.157.222**	**55.863.956**	**25.660.302**	**49.954.105**	**113.297.191**	**41.904.217**	**10.805.132**	**327.642.125**
Liabilities								
Bank Deposits	1.477.434	4.705.106	860.447	406.303	-	-	-	7.449.290
Other Deposits	37.673.697	109.552.447	22.853.750	10.806.988	54.869	12	-	180.941.763
Borrowings	-	806.461	2.890.451	19.149.886	11.111.032	5.769.335	-	39.727.165
Funds from Interbank Money Market	-	3.852.508	477.256	1.434.554	5.435.790	1.862.091	-	13.062.199
Marketable Securities Issued (Net) (**)	-	513.812	1.840.646	466.547	6.802.096	7.313.382	-	16.936.483
Miscellaneous Payables	-	380.635	348.566	474.823	1.157.968	583.830	4.459.366	7.405.188
Other Liabilities (***)	-	4.934.389	2.004.293	2.433.952	6.370.130	2.568.184	43.809.089	62.120.037
Total Liabilities	**39.151.131**	**124.745.358**	**31.275.409**	**35.173.053**	**30.931.885**	**18.096.834**	**48.268.455**	**327.642.125**
Net Liquidity Excess/ (Gap)	**(8.993.909)**	**(68.881.402)**	**(5.615.107)**	**14.781.052**	**82.365.306**	**23.807.383**	**(37.463.323)**	**-**
Net Off-balance sheet Position	**-**	**73.346**	**(1.322.979)**	**378.942**	**8.484.122**	**5.674.553**	**-**	**13.287.984**
Financial Derivative Assets	-	72.069.893	34.473.264	45.284.995	100.845.307	65.710.763	-	318.384.222
Financial Derivative Liabilities	-	71.996.547	35.796.243	44.906.053	92.361.185	60.036.210	-	305.096.238
Non-cash Loans (****)	**-**	**4.242.599**	**5.288.100**	**16.489.306**	**5.188.166**	**22.129.385**	**-**	**53.337.556**
Prior Period - 31 December 2017								
Total Assets	18.169.933	53.024.496	28.629.327	45.804.160	120.547.886	40.955.157	8.899.909	316.030.868
Total Liabilities	34.908.272	131.585.341	36.628.258	26.130.067	34.421.080	11.933.344	40.424.506	316.030.868
Net Liquidity Gap	**(16.738.339)**	**(78.560.845)**	**(7.998.931)**	**19.674.093**	**86.126.806**	**29.021.813**	**(31.524.597)**	**-**
Net Off-balance sheet Position	**-**	**(395.318)**	**(377.879)**	**(50.929)**	**2.580.772**	**868.314**	**-**	**2.624.960**
Financial Derivative Assets	-	42.880.047	22.233.835	39.598.037	100.930.037	38.856.309	-	244.498.265
Financial Derivative Liabilities	-	43.275.365	22.611.714	39.648.966	98.349.265	37.987.995	-	241.873.305
Non-cash Loans (****)	**-**	**3.445.776**	**5.372.593**	**17.889.047**	**5.779.653**	**20.114.109**	-	**52.601.178**

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column.
(**) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(***) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.
(****) Amounts related to Letters of Guarantee represent contractual maturity and related amounts. Amounts are demand and can be withdrawn optional.
(*****)The non-performing loans and netted amounts of the third stage expected loss provisions for these loans are stated in the "Unallocatable" column with the first and second stage expected loss provisions for performing loans.

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Breakdown of liabilities due to their remaining contractual maturities:

Current Period - 31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	156.062.209	21.884.822	11.858.623	71.083	13	**189.876.750**
Funds borrowed from other financial institutions	910.096	3.121.590	18.738.970	14.722.072	6.077.360	**43.570.088**
Funds from interbank money market	3.875.769	528.167	1.643.042	5.876.437	2.077.886	**14.001.301**
Marketable Securities Issued (Net)	511.523	1.997.344	1.058.604	14.146.698	2.880.523	**20.594.692**

Prior Period - 31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	151.600.400	23.656.611	10.479.738	82.475	16	**185.819.240**
Funds borrowed from other financial institutions	468.389	6.417.418	10.439.813	9.956.980	4.159.807	**31.442.407**
Funds from interbank money market	6.676.609	1.847.044	3.236.516	15.176.936	1.688.923	**28.626.028**
Marketable Securities Issued (Net)	1.259.080	4.723.179	970.463	5.832.363	3.461.090	**16.246.175**

Breakdown of derivative instruments due to their remaining contractual maturities:

Current Period - 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	68.081.776	57.377.916	49.536.435	50.281.971	6.755.663
- Outflow	(61.098.552)	(52.829.804)	(59.930.379)	(48.013.822)	(6.584.737)
Interest rate derivatives:					
- Inflow	61.529	183.594	901.960	2.343.810	1.115.964
- Outflow	(75.433)	(184.524)	(867.651)	(2.201.565)	(1.028.432)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	25.513	113.065	5.367.326	8.792.627	5.741.823
- Outflow	(50.097)	(545.377)	(4.720.895)	(7.728.482)	(6.325.470)
Interest rate derivatives:					
- Inflow	34.067	194.215	596.537	1.648.309	443.294
- Outflow	(9.489)	(116.505)	(552.176)	(1.806.111)	(680.984)
Total Inflow	**68.202.885**	**57.868.789**	**56.402.258**	**63.066.717**	**14.056.744**
Total Outflow	**(61.233.571)**	**(53.676.209)**	**(66.071.101)**	**(59.749.980)**	**(14.619.623)**

Prior Period - 31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	38.509.904	19.316.519	35.743.578	39.513.485	6.282.312
- Outflow	(34.981.843)	(19.538.983)	(35.485.062)	(38.462.093)	(5.873.474)
Interest rate derivatives:					
- Inflow	20.575	128.597	516.873	1.842.466	874.125
- Outflow	(21.283)	(130.167)	(529.326)	(1.774.198)	(812.490)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	4.127	10.440	51.413	3.622.451	-
- Outflow	(20.158)	(41.800)	(181.991)	(2.967.916)	-
Interest rate derivatives:					
- Inflow	11.011	43.657	155.020	744.647	165.899
- Outflow	(12.565)	(55.728)	(151.060)	(655.238)	(167.641)
Total Inflow	**38.545.617**	**19.499.213**	**36.466.884**	**45.723.049**	**7.322.336**
Total Outflow	**(35.035.849)**	**(19.766.678)**	**(36.347.439)**	**(43.859.445)**	**(6.853.605)**

VII. EXPLANATIONS ON LEVERAGE RATIO:

a. Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2018, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 9,37% (31 December 2017: 8,83%). This ratio is above the minimum ratio which is 3%. The leverage ratio is almost on the same level in the current and prior period.

b. Disclosure of Leverage ratio template:

		Current Period 31 December 2018 (*)
	Balance sheet Assets	
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	317.742.753
2	(Assets deducted from Core capital)	-
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	317.742.753
	Derivative financial assets and credit derivatives	
4	Cost of replenishment for derivative financial assets and credit derivatives	16.039.665
5	Potential credit risk amount of derivative financial assets and credit derivatives	4.898.308
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	20.937.973
	Financing transactions secured by marketable security or commodity	
7	Risk amount of financing transactions secured by marketable security or commodity	3.296.687
8	Risk amount arising from intermediary transactions	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	3.296.687
	Off-balance sheet transactions	
10	Gross notional amount of off-balance sheet transactions	132.769.389
11	(Correction amount due to multiplication with credit conversion rates)	(1.189.952)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	131.579.437
	Capital and total risk	
13	Core Capital	44.231.597
14	Total risk amount(sum of lines 3, 6, 9 and 12)	473.556.850
	Leverage ratio	
15	Leverage ratio	9,37

		Prior Period 31 December 2017 (*)
	Balance sheet Assets	
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	302.498.411
2	(Assets deducted from Core capital)	(69.348)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	302.429.063
	Derivative financial assets and credit derivatives	
4	Cost of replenishment for derivative financial assets and credit derivatives	10.030.327
5	Potential credit risk amount of derivative financial assets and credit derivatives	3.966.227
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	13.996.554
	Financing transactions secured by marketable security or commodity	
7	Risk amount of financing transactions secured by marketable security or commodity	4.676.303
8	Risk amount arising from intermediary transactions	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	4.676.303
	Off-balance sheet transactions	
10	Gross notional amount of off-balance sheet transactions	124.637.498
11	(Correction amount due to multiplication with credit conversion rates)	(618.663)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	124.018.835
	Capital and total risk	
13	Core Capital	39.301.783
14	Total risk amount(sum of lines 3, 6, 9 and 12)	445.120.755
	Leverage ratio	
15	Leverage ratio	8,83

(*) Three months average values.

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VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Calculations of financial assets and liabilites at their fair values:

The fair values of financial assets measured at amortised cost are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand deposit represents the amount to be paid upon request. The fair value of the overnight deposit represents the carrying value. The expected fair value of the fixed rate deposit is calculated by discounted cash flow with the use of the market interest rates of similar liabilities and loans.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

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

	Carrying Value	Fair Value
	Current Period 31 December 2018	Current Period 31 December 2018
Financial Assets	**258.302.891**	**248.746.694**
Interbank Money Market Placements	539.374	537.746
Banks	18.001.985	17.988.838
Financial Assets at Fair Value Through Other Comprehensive Income (Net)	42.373.507	42.373.507
Financial Assets Measured at Amortised Cost (Net)	12.263.481	11.858.083
Loans	185.124.544	175.988.520
Financial Liabilities	**250.921.791**	**249.776.110**
Bank Deposits	7.449.290	7.439.337
Other Deposits	180.941.763	181.064.826
Borrowings	39.727.165	38.897.661
Marketable Securities Issued (Net)	12.152.006	11.722.721
Miscellaneous Payables	10.651.567	10.651.565

	Carrying Value	Fair Value
	Prior Period 31 December 2017	Current Period 31 December 2017
Financial Assets	**259.867.509**	**256.723.544**
Interbank Money Market Placements	1.552.161	1.551.010
Banks	8.116.779	8.110.019
Available-for-Sale Financial Assets (Net)	40.806.570	40.806.570
Held-to-Maturity Investments (Net)	18.883.032	19.082.300
Loans	190.508.967	187.173.645
Financial Liabilities	**234.346.575**	**233.990.536**
Bank Deposits	12.959.941	12.950.100
Other Deposits	171.944.508	171.895.026
Borrowings	13.853.149	29.180.324
Marketable Securities Issued (Net)	13.853.149	14.047.889
Miscellaneous Payables	5.917.197	5.917.197

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

a) Quoted market prices (non-adjusted) (1st level).

b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level).

c) Data not based on observable data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Bank according to the foregoing principles is given in the table below:

Current Period - 31 December 2018	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	-	-	-	-
- Share Certificates	137.461	-	-	137.461
- Other Financial Assets	6.126	-	-	6.126
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	36.502.564	-	-	36.502.564
- Share Certificates	-	-	-	-
- Other Financial Assets	4.671.110	1.186.378	-	5.857.488
Derivative Financial Assets				
- Derivative Financial Assets at Fair Value Through Profit or Loss	1.371	20.679.029	-	20.680.400
- Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	1.989.608	-	1.989.608
Loans (*)	-	169.298.312	6.690.208	175.988.520
Financial Assets Measured at Amortised Cost				
- Government Debt Securities	9.411.205	-	-	9.411.205
- Other Financial Assets	2.446.878	-	-	2.446.878
Total Assets	**53.176.715**	**193.153.327**	**6.690.208**	**253.020.250**
Derivative Financial Liabilities				
- Derivative Financial Liabilities at Fair Value Through Profit or Loss	248	12.311.248	-	12.311.496
- Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	644.958	-	644.958
Deposits	-	188.504.163	-	188.504.163
Funds Borrowed	-	38.897.661	-	38.897.661
Funds from Interbank Money Market	-	12.195.466	-	12.195.466
Securities Issued (Net)	-	16.722.168	-	16.722.168
Total Liabilities	**248**	**269.275.664**	**-**	**269.275.912**

(*) Fair value of the loans classified under level III, has been determined based on results of valuation work that include various valuation technics. The potential changes in the fundamental estimations and assumptions included in the valuation work can affect the carrying fair value of the loan.

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Prior Period - 31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	-	-	-	-
- Share Certificates	-	-	-	-
- Trading Derivative Financial Assets	2.328	8.275.179	-	8.277.507
- Other Marketable Securities	-	-	-	-
Available-For-Sale Financial Assets				
- Government Debt Securities	36.816.619	-	-	36.816.619
- Share Certificates	-	84.865	-	84.865
- OtherMarketable Securities	3.754.049	138.027	-	3.892.076
Hedging Derivative Financial Assets	-	1.134.854	-	1.134.854
Loans	-	187.173.645	-	187.173.645
Held to Maturity Investments (Net)				
- Government Debt Securities	15.592.016	-	-	15.592.016
- Other Marketable Securities	3.490.284	-	-	3.490.284
Total Assets	**59.655.296**	**196.806.570**	-	**256.461.866**
Trading Derivative Financial Liabilities	186	5.520.067	-	5.520.253
Hedging Derivative Financial Liabilities	-	74.911	-	74.911
Deposits	-	184.845.126	-	184.845.126
Funds Borrowed	-	29.180.324	-	29.180.324
Funds from Interbank Money Market	-	26.347.282	-	26.347.282
Securities Issued (Net)	-	14.047.889	-	14.047.889
Total Liabilities	**186**	**260.015.599**	-	**260.015.785**

(*) Fair value of the loans classified under level III, has been determined based on results of valuation work that include various valuation technics. The potential changes in the fundamental estimations and assumptions included in the valuation work can affect the carrying fair value of the loan.

As explained in the note of VII-b of the Third Section, share certificates classified as available-for-sale are carried at cost less impairment since they are not traded in active markets and their fair values cannot be measured reliably.

There are no transfers between the 1st and the 2nd levels in the current year.

IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

X. EXPLANATIONS ON RISK MANAGEMENT TARGET AND POLICIES:

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 ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, are not presented.

a. Explanations on Risk Management and Risk Weighted Amount (RWA)

1. The Bank's risk management approach:

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level. General strategies regarding Bank's risk management are given below:

- Effective risk management within the Bank's risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank's Board of Directors has the ultimate responsibility for setting-up and monitoring the efficiency of such a risk management system. The Board of Directors fulfills its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors regularly reviews and approves Bank's main risk approach, risk principles and policies which are initially discussed and decided by the Executive Risk Committee. The Board of Directors also determines Bank's risk appetite by risk limits taking market conditions and Bank's risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank's Senior Management is responsible to the Bank's Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner. The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Presidency which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management's responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed to. The effectiveness and efficiency of the risk mitigation techniques are regularly monitored.

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2. Overview of RWA:

		Risk Weighted Amount	Minimum capital requirement
		Current Period 31 December 2018	Current Period 31 December 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	226.613.119	18.129.049
2	Standardized approach (SA)	226.613.119	18.129.049
3	Internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	22.406.964	1.792.557
5	Standardized approach for counterparty credit risk (SA-CCR)	22.406.964	1.792.557
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	237.585	19.007
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-
11	Settlement risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach (RBA)	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	5.071.915	405.753
17	Standardized approach (SA)	5.071.915	405.753
18	Internal model approaches (IMM)	-	-
19	Operational Risk	21.346.323	1.707.706
20	Basic Indicator Approach	21.346.323	1.707.706
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)**	**275.675.906**	**22.054.072**

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		Risk Weighted Amount	Minimum capital requirement
		Prior Period 31 December 2017	Prior Period 31 December 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	222.052.846	17.764.228
2	Standardized approach (SA)	222.052.846	17.764.228
3	Internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	15.404.555	1.232.364
5	Standardized approach for counterparty credit risk (SA-CCR)	15.404.555	1.232.364
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	277.987	22.239
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-
11	Settlement risk	624	50
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach (RBA)	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	4.646.252	371.700
17	Standardized approach (SA)	4.646.252	371.700
18	Internal model approaches (IMM)	-	-
19	Operational Risk	18.408.659	1.472.693
20	Basic Indicator Approach	18.408.659	1.472.693
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)**	**260.790.923**	**20.863.274**

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b. Linkages between financial statements and regulatory exposures:

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

		Carrying values of items				
Current Period - 31.12.2018	Carrying values as reported in published financial statements (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation 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	30.113.792	30.113.792	-	-	-	-
Banks	18.001.985	18.001.985	-	-	-	-
Receivables from money markets	539.374	539.374	-	-	-	-
Financial assets at fair value through P&L	143.587	143.587	-	-	-	
Financial assets at fair value through other comprehensive income (net)	42.373.507	42.192.471	-	-	180.741	295
Financial assets measured at amortised cost (net)	12.263.481	12.263.481	-	-	-	-
Derivative financial assets	22.670.008		22.670.008		6.342.908	-
Loans (net)	185.124.544	185.121.036	-	-	-	3.508
Non-current assets and disposal groups classified as held for sale (net)	90.305	90.305	-	-	-	-
Investments in associates (net)	5.521	5.521	-	-	-	-
Investments in subsidiaries (net)	5.452.141	5.452.141	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Tangible assets (net)	3.948.417	3.915.980	-	-	-	32.437
Intangible assets (net)	624.243	-	-	-	-	624.243
Investment properties (net)	-	-	-	-	-	-
Tax assets	262.217	262.217	-	-	-	-
Deferred tax assets	23.410	23.410	-	-	-	-
Other assets	6.005.592	6.005.592	-	-	-	-
Total assets	**327.642.124**	**304.130.892**	**22.670.008**	**-**	**6.523.649**	**660.483**
Liabilities						
Deposits	188.391.053	-	-	-	-	188.391.053
Loans	39.727.165	-	-	-	-	39.727.165
Debt to money markets	13.062.199	-	13.062.199	-	-	13.062.199
Debt securities in issue	12.152.006	-	-	-	-	12.152.006
Funds	-	-	-	-	-	-
Financial liabilities at fair value through P&L	-	-	-	-	-	-
Derivative financial liabilities	12.956.454	-	12.956.454		3.469.022	12.956.454
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	25.048	-	-	-	-	25.048
Provisions	1.294.978	-	-	-	-	1.294.978
Tax liability	504.394	-	-	-	-	504.394
Deferred tax liability	283.695	-	-	-	-	283.695
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	4.784.477	-	-	-	-	4.784.477
Other liabilities	10.651.565	-	-	-	-	10.651.565
Equity	43.809.090	-	-	-	-	43.809.090
Total liabilities	**327.642.124**	**-**	**26.018.653**	**-**	**3.469.022**	**327.642.124**

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks"are represented in "Subject to market risk framework" column

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		Carrying values of items				
Prior Period - 31.12.2017	**Carrying values as reported in published financial statements (*)**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation 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	35.363.166	35.363.166	-	-	-	-
Financial assets held for trading	8.277.507	-	8.277.507	-	3.339.953	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	8.116.779	8.116.779	-	-	-	-
Receivables from money markets	1.552.161	1.552.161	-	-	-	-
Available for sale financial assets (net)	40.806.570	36.754.888	-	-	4.031.647	20.035
Loans and receivables	190.508.967	190.502.446	-	-	-	6.521
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	18.883.032	18.883.032	-	-	-	-
Investments in associates (net)	3.923	3.923	-	-	-	-
Investments in subsidiaries (net)	4.133.098	4.133.098	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	1.134.854	-	1.134.854	-	-	-
Tangible assets (net)	3.416.438	3.398.106	-	-	-	18.332
Intangible assets (net)	471.650	-	-	-	-	471.650
Investment properties (net)	-	-	-	-	-	-
Tax assets	9.075	9.075	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	57.520	57.520	-	-	-	-
Other assets	3.296.128	3.296.128	-	-	-	-
Total assets	**316.030.868**	**302.070.322**	**9.412.361**	**-**	**7.371.600**	**516.538**
Liabilities						
Deposits	184.904.449	-	-	-	-	184.904.449
Derivative financial liabilities held for trading	5.520.253	-	5.520.253	-	2.450.482	5.520.253
Loans	29.671.780	-	-	-	-	29.671.780
Debt to money markets	27.283.040	-	27.283.040	-	-	27.283.040
Debt securities in issue	13.853.149	-	-	-	-	13.853.149
Funds	-	-	-	-	-	-
Various debts	5.917.197	-	-	-	-	5.917.197
Other liabilities	1.101.637	-	-	-	-	1.101.637
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	5.899	-	-	-	-	5.899
Derivative financial liabilities held for hedges	74.911	-	74.911	-	-	74.911
Provisions	3.791.281	-	-	-	-	3.791.281
Tax liability	1.581.767	-	-	-	-	1.581.767
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	1.900.999	-	-	-	-	1.900.999
Equity	40.424.506	-	-	-	-	40.424.506
Total liabilities	**316.030.868**	**-**	**32.878.204**	**-**	**2.450.482**	**316.030.868**

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks"are represented in "Subject to market risk framework" column

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

	Current Period - 31.12.2018	**Total**	**Items subject to credit risk framework**	**Items subject to securitisation framework**	**Items subject to counterparty credit risk framework**	**Items subject to market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation**	**326.981.641**	**304.130.892**	**-**	**22.670.008**	**6.523.649**
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	26.018.653	(3.469.022)
3	**Total net amount under regulatory scope of consolidation**	**326.981.641**	**304.130.892**	**-**	**48.688.661**	**3.054.628**
4	Off-balance sheet amounts	424.882.542	36.612.060	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		5.306.509	-	-	-
8	Differences due to prudential filters		-	-	-	2.017.287
9	Differences due to risk reduction		(2.981.492)	-	(25.680.584)	-
10	**Exposure amounts considered for regulatory**		**343.067.969**	**-**	**23.008.077**	**5.071.915**

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

	Prior Period - 31.12.2017	**Total**	**Items subject to credit risk framework**	**Items subject to securitisation framework**	**Items subject to counterparty credit risk framework**	**Items subject to market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation**	**315.514.330**	**302.070.322**	**-**	**9.412.361**	**7.371.600**
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	32.878.204	(2.450.482)
3	**Total net amount under regulatory scope of consolidation**	**315.514.330**	**302.070.322**	**-**	**42.290.565**	**4.921.118**
4	Off-balance sheet amounts	357.753.033	32.424.231	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		4.380.388	-	-	-
8	Differences due to prudential filters		-	-	-	(274.867)
9	Differences due to risk reduction		(5.389.700)	-	(23.890.430)	-
10	**Exposure amounts considered for regulatory**		**333.485.241**	**-**	**18.400.135**	**4.646.251**

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

3. Explanations of differences bet ween accounting and regulatory exposure amounts:

a) Differences between accounting and regulatory exposure amounts

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

b) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks":

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

c. Credit risk explanations:

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in a such manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Bank. Rating all credit customers is essential for the Bank. Credit ratings are used as the main factor in determining target segments, authority levels, prices, limits and collateralization levels in loan portfolios. Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, customer, credit type and customer segment.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Presidency conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio.

Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are carried out by the Board of Directors, the Audit Committee, the Executive Risk Committee, Internal Audit, Internal Control, Risk Management activities and Internal Systems Responsible.

The Board of Directors is responsible for determining the risk baseline of the Bank, the risk approach and the level of risk taking. The Board of Directors manages the risks through the Executive Risk Committee. The committee is responsible for establishing risk policies, determining methods for measuring and managing risks, and establishing and monitoring appropriate risk limits. All risk policies established by the Executive Risk Committee are written and integrated into the Bank's long-term general strategy.

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2. Credit quality of assets:

		Gross carrying values of (according to TAS)			
	Current Period 31.12.2018	Defaulted exposures	Non-defaulted exposures	Allowances/ impairements	Net values
1	Loans	7.838.621	185.230.425	7.944.502	185.124.544
2	Debt Securities	-	54.385.948	33.265	54.352.683
3	Off-balance sheet explosures	258.445	116.801.044	388.224	116.671.265
4	**Total**	**8.097.066**	**356.417.417**	**8.365.991**	**356.148.492**

		Gross carrying values of (according to TAS)			
	Prior Period 31.12.2017	Defaulted exposures	Non-defaulted exposures	Allowances/ impairements	Net values
1	Loans	4.532.711	190.356.348	6.880.509	188.008.550
2	Debt Securities	-	59.313.740	62.671	59.251.069
3	Off-balance sheet explosures	180.677	111.191.040	131.983	111.239.734
4	**Total**	**4.713.388**	**360.861.128**	**7.075.163**	**358.499.353**

3. Changes in stock of defaulted loans and debt securities:

		Current Period 31 December 2018
1	**Defaulted loans and debt securities at end of the previous reporting period**	**4.713.388**
2	Loans and debt securities that have defaulted since the last reporting period	9.746.074
3	Returned to non-defaulted status	26.935
4	Amounts written off	4.583.196
5	Other changes	1.752.265
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions**	**8.097.066**

		Prior Period 31 December 2017
1	**Defaulted loans and debt securities at end of the previous reporting period**	**4.465.348**
2	Loans and debt securities that have defaulted since the last reporting period	1.897.129
3	Returned to non-defaulted status	68.363
4	Amounts written off	727.153
5	Other changes	853.573
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions**	**4.713.388**

4. Additional disclosure related to the credit quality of assets:

a) Definitions of overdue and provision allocated receivables are presented below:

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired / provision reserved loans."

The Bank calculates general loan loss provision for "overdue loans" and specific provision for "impaired loans" in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

b) The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application:

All loans that have completed the 90 day overdue period are automatically taken into follow-up accounts and they are subjected to specific provision within the related month at the Bank. In exceptional cases, the delinquency process is suspended due to a court decision and the Bank's credit amount in this scope is insignificant as of 31 December 2018.

c) Definitions of the methods used when determining the provision amount, are presented in Note VII-c of SectionThree.

d) Definitions of restructured receivables:

Banks can restructure both the first, second group loans and other receivables as well as non-performing loans and receivables. The first, second group loans and other receivables are restructured to enchance customer's ability to repay the loan. Besides, apart from credit risk, it involves changes in the contractual conditions with the demand of customer. While Non-performing loans and receivables are restructured to ensure the collection of the receivables by changing the cash flow of the loan.

e) Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	Current Period 31.12.2018
Domestic	179.001.249
European Union Countries	5.637.163
OECD Countries (*)	4.404
Off-Shore Banking Regions	-
USA, Canada	24.550
Other	560.521
Total	**185.227.887**

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

	Prior Period 31.12.2017
Domestic	184.912.055
European Union Countries	4.915.168
OECD Countries (*)	3.710
Off-Shore Banking Regions	-
USA, Canada	23.505
Other	501.910
Total	**190.356.348**

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

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Breakdown by sector

	Current Period 31.12.2018
Agricultural	293.227
Farming and raising livestock	215.889
Forestry	69.567
Fishing	7.771
Manufacturing	40.762.014
Mining	1.799.420
Production	23.240.616
Electricity, Gas, Water	15.721.978
Construction	29.147.206
Services	63.361.759
Wholesale and Retail Trade	24.022.734
Hotel,Food,Beverage Services	4.539.682
Transportation and Telecommunication	9.450.488
Financial Institutions	22.303.280
Real Estate and Lending Services	266.968
Self employment Service	700.741
Education Service	646.936
Health and social Services	1.430.930
Other	51.663.681
Total	**185.227.887**

	Prior Period 31.12.2017
Agricultural	369.981
Farming and raising livestock	251.972
Forestry	106.340
Fishing	11.669
Manufacturing	40.280.727
Mining	1.033.545
Production	25.106.013
Electricity, Gas, Water	14.141.169
Construction	25.950.568
Services	70.963.794
Wholesale and Retail Trade	28.828.149
Hotel,Food,Beverage Services	4.345.953
Transportation and Telecommunication	9.477.783
Financial Institutions	24.138.559
Real Estate and Lending Services	519.587
Self employment Service	573.440
Education Service	624.867
Health and social Services	2.455.456
Other	52.791.278
Total	**190.356.348**

Breakdown by outstanding maturity:

Current Period 31.12.2018	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	35.366.453	21.848.892	39.577.279	65.117.392	23.317.871	**185.227.887**

Prior Period 31.12.2017	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	25.190.270	23.787.817	40.663.720	77.428.346	23.286.195	**190.356.348**

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f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

	Current Period-31.12.2018	
	Loans Under Follow-up	Provisions
Domestic	7.255.168	4.486.916
European Union Countries	583.164	75.672
OECD Countries (*)	-	-
Off-Shore Banking Regions	30	28
USA, Canada	164	146
Other	95	86
Total	**7.838.621**	**4.562.848**

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

	Prior Period-31.12.2017	
	Loans Under Follow-up	Provisions
Domestic	4.531.507	4.378.888
European Union Countries	669	669
OECD Countries (*)	-	-
Off-Shore Banking Regions	30	30
USA, Canada	119	119
Other	386	386
Total	**4.532.711**	**4.380.092**

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

Breakdown by sector:

	Current Period-31.12.2018	
	Loans Under Follow-up	Provisions
Agricultural	11.781	7.767
Farming and raising livestock	8.549	5.714
Forestry	3.060	1.899
Fishing	172	154
Manufacturing	1.650.303	911.347
Mining	31.584	27.478
Production	837.649	557.990
Electricity, Gas, Water	781.070	325.879
Construction	942.587	515.273
Services	3.162.657	1.534.905
Wholesale and Retail Trade	1.731.592	1.098.623
Hotel,Food,Beverage Services	352.695	76.042
Transportation and Telecommunication	114.479	68.556
Financial Institutions	607.349	92.797
Real Estate and Lending Services	144.627	81.011
Self employment Service	4.632	3.689
Education Service	104.043	49.439
Health and social Services	103.240	64.748
Other	2.071.293	1.593.556
Total	**7.838.621**	**4.562.848**

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	Prior Period-31.12.2017	
	Loans Under Follow-up	Provisions
Agricultural	12.380	12.380
Farming and raising livestock	9.253	9.253
Forestry	2.397	2.397
Fishing	730	730
Manufacturing	579.096	579.096
Mining	33.009	33.009
Production	532.043	532.043
Electricity, Gas, Water	14.044	14.044
Construction	248.548	248.548
Services	1.497.661	1.345.042
Wholesale and Retail Trade	1.055.767	1.055.767
Hotel,Food,Beverage Services	273.096	120.477
Transportation and Telecommunication	61.036	61.036
Financial Institutions	13.579	13.579
Real Estate and Lending Services	5.923	5.923
Self employment Service	4.556	4.556
Education Service	33.656	33.656
Health and social Services	50.048	50.048
Other	2.195.026	2.195.026
Total	**4.532.711**	**4.380.092**

g) Aging analysis for overdue receivables::

	Current Period 31.12.2018
30-60 days overdue	3.939.002
60-90 days overdue	1.522.542
Total	**5.461.544**

	Prior Period 31.12.2017
30-60 days overdue	879.773
60-90 days overdue	572.404
Total	**1.452.177**

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

Restructured Receivables	Current Period 31.12.2018
Loans restructured from Standard Loans and Other Receivables	4.453.627
Loans restructured from Loans underFollow-up and Other Receivables	12.113.776
Loans restructured from Non-Performing Loans	252.881

Restructured Receivables	Prior Period 31.12.2017
Loans restructured from Standard Loans and Other Receivables	3.888.691
Loans restructured from Loans underFollow-up and Other Receivables	3.155.715
Loans restructured from Non-Performing Loans	142.062

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

i) Credit risk mitigation techniques:

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The risk amount and the amount of collateral are also compared against the value losses that may occur in the collateral, and in case of gap between risk and collateral, the Bank Monitoring System automatically generates "Risky Transaction Registration".

In the calculation of capital adequacy ratio, real estate mortgages are subject to valuation process in accordance with the related legislation. There is no physical collateral used for risk reduction other than real estate.

Financial guarantees used in capital adequacy calculations are blocked deposits held at the bank and there is no netting other than these.

Collateral management processes are written in credit policies and checks are made to ensure that there is no concentration of third party guarantor type and collateral.

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5. Credit risk mitigation techniques – overview:

	Current Period 31.12.2018	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	1812.440.771	3.683.773	1.633.274	9.910.626	8.818.566	-	-
2	Debt Securities	54.352.683	-	-	-	-	-	-
3	**Total**	**235.793.454**	**3.683.773**	**1.633.274**	**9.910.626**	**8.818.566**	**-**	**-**
4	Of which defaulted	8.097.066	-	-	-	-	-	-

	Prior Period 31.12.2017	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	183.469.417	4.539.133	1.974.205	13.741.776	12.319.437	-	-
2	Debt Securities	59.251.069	-	-	-	-	-	-
3	**Total**	**242.720.486**	**4.539.133**	**1.974.205**	**13.741.776**	**12.319.437**	**-**	**-**
4	Of which defaulted	4.713.388	-	-	-	-	-	-

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

The ratings given by the international credit rating agency Fitch Ratings are used to determine the risk weights to be applied in the calculation of capital adequacy. Fitch Ratings are limited to the receivables of the counterparty residing abroad; central government or central banks, banks and corporate receivables.

7. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

	Current Period - 31.12.2018	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	73.950.587	3.425.166	82.640.747	149.220	16.719.246	20,19%
2	Exposures to regional governments or local authorities	26.833	-	26.833	-	13.416	50,00%
3	Exposures to public sector entities	5.600	10.154	5.306	2.066	7.372	100,00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	31.212.428	53.213.263	31.212.428	17.279.457	23.012.356	47,46%
7	Exposures to corporates	106.630.637	58.727.937	101.860.561	36.789.511	134.723.138	97,17%
8	Retail exposures	51.076.840	35.511.909	46.502.203	4.190.708	38.019.683	75,00%
9	Exposures secured by residential property	11.077.380	481.147	11.059.476	206.744	3.943.177	35,00%
10	Exposures secured by commercial real estate	15.118.612	1.539.025	14.947.670	997.960	11.535.900	72,35%
11	Past-due loans	3.277.986	-	3.277.986	-	3.416.959	104,24%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	243.711	214.972	243.711	4.472	248.183	100,00%
16	Other assets	9.216.778	-	9.216.778	-	5.536.732	60,07%
17	Investments in equities	5.462.209	-	5.462.209	-	5.462.209	100,00%
18	**Total**	**307.299.601**	**153.123.573**	**306.455.908**	**59.620.138**	**242.638.371**	**66,28%**

	Prior Period - 31.12.2017	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	84.707.318	4.034.841	84.707.317	140.882	25.418.515	29,96%
2	Exposures to regional governments or local authorities	-	275	-	55	28	50,91%
3	Exposures to public sector entities	7.083	23.763	7.083	4.892	11.975	100,00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	17.132.991	58.154.028	17.132.990	16.221.652	18.050.472	54,12%
7	Exposures to corporates	111.790.157	57.444.903	111.154.768	29.661.363	130.094.809	92,39%
8	Retail exposures	53.332.871	34.873.429	52.983.438	3.893.728	38.701.163	68,04%
9	Exposures secured by residential property	12.825.658	592.428	12.823.162	246.873	4.570.820	34,97%
10	Exposures secured by commercial real estate	10.563.610	999.369	10.541.614	654.912	7.377.523	65,89%
11	Past-due loans	152.619	-	152.619	-	152.619	100,00%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	277.987	81	277.988	12	277.999	100,00%
16	Other assets	7.045.133	-	7.045.133	-	4.745.756	67,36%
17	Investments in equities	4.234.896	-	4.234.896	-	4.234.896	100,00%
18	**Total**	**302.070.323**	**156.123.117**	**301.061.008**	**50.824.369**	**233.636.575**	**66,40%**

8. Standardised Approach – Exposures by asset classes and risk weights:

	Current Period - 31.12.2018 Assett classes / Risk weight	0%	10%	20%	35%	50% (*)	75%	100%	150%	200%	Other risk weights	Total risk amount (**)
1	Exposures to central governments or central banks	65.777.893	-	366.035	-	-	-	16.646.039	-	-	-	82.789.967
2	Exposures to regional governments or local authorities	-	-	-	-	26.833	-	-	-	-	-	26.833
3	Exposures to public sector entities	-	-	-	-	-	-	7.372	-	-	-	7.372
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	228.628	-	23.508.508	-	12.888.191	-	11.866.558	-	-	-	48.491.885
7	Exposures to corporates	1.988.832	-	83.905	-	3.741.956	-	132.835.379	-	-	-	138.650.072
8	Retail exposures	-	-	-	-	-	50.692.911	-	-	-	-	50.692.911
9	Exposures secured by residential property	-	-	-	11.266.220	-	-	-	-	-	-	11.266.220
10	Exposures secured by commercial real estate	-	-	-	-	8.819.460	-	7.126.170	-	-	-	15.945.630
11	Past-due loans	-	-	-	-	1.051.695	-	896.650	1.329.641	-	-	3.277.986
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	248.183	-	-	-	248.183
16	Investments in equities	-	-	-	-	-	-	5.462.209	-	-	-	5.462.209
17	Other assets	3.680.042	-	5	-	-	-	5.536.731	-	-	-	9.216.778
18	**Total**	**71.675.395**	**-**	**23.958.453**	**11.266.220**	**26.528.135**	**50.692.911**	**180.625.291**	**1.329.641**	**-**	**-**	**366.076.046**

(*)Secured by real estate
(**)Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

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	Prior Period -31.12.2017 Assett classes/ Risk weight	0%	10%	20%	35%	50% (*)	75%	100%	150%	200%	Other risk weights	Total risk amount (**)
1	Exposures to central governments or central banks	59.246.507	-	228.972	-	-	-	25.372.720	-	-	-	84.848.199
2	Exposures to regional governments or local authorities	-	-	-	-	55	-	-	-	-	-	55
3	Exposures to public sector entities	-	-	-	-	-	-	11.975	-	-	-	11.975
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	19.076	-	10.390.060	-	13.946.092	-	8.999.414	-	-	-	33.354.642
7	Exposures to corporates	842.156	-	932.059	-	4.663.391	-	134.378.525	-	-	-	140.816.131
8	Retail exposures	-	-	-	-	-	56.877.167	-	-	-	-	56.877.166
9	Exposures secured by residential property	-	-	-	-	-	11.625.661	1.444.375	-	-	-	13.070.035
10	Exposures secured by commercial real estate	-	-	-	-	-	1.343.625	9.852.901	-	-	-	11.196.526
11	Past-due loans	-	-	-	-	-	-	152.619	-	-	-	152.619
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	278.000	-	-	-	278.000
16	Investments in equities	-	-	-	-	-	-	4.234.896	-	-	-	4.234.896
17	Other assets	2.266.139	-	41.548	-	-	-	4.737.446	-	-	-	7.045.133
18	**Total**	**62.373.878**	**-**	**11.592.639**	**-**	**18.609.538**	**69.846.453**	**189.462.870**	**-**	**-**	**-**	**351.885.377**

(*)Secured by real estate
(**)Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

d. Counterparty Credit Risk (CCR) Explanations:

1. Qualitative disclosure related to counterparty credit risk:

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies, corporate segment, micro segment customers, private banking customers and individual customers. The products are grouped as interest swap transactions, foreign currency option transactions (plain vanilla), foreign exchange option transactions (exotic), interest option transactions, commodity Transactions, credit derivatives and repo transactions.

"Conformity Test" is applied to the customers to determine whether the products to be presented to the customers are in compliance with the customers' financial status and their knowledge and experience. The tests to be applied are prepared in a way that bank can evaluate the information received from the customers with the method including "risk and return preference" and knowledge and experience" classifications determined by the Bank.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For the transactions within the scope of the CCR, appropriate limits to the risk appetite, policies and strategies of the Bank are determined. The determined limits are approved by the Board of Directors for the banks. For the firms and individuals apart fron banks regular loan approval processes and limits are conducted.

The counterparty credit risk limits for financial institutions are also determined seperately and presented to the Board of Directors for approval. The determined limits are reviewed at least once a year. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewd and necessary changes are made. If deemed necessary, the approved limits are blocked by the Credit Committee / Credit Allocation Business Unit and by the approval of the Board of Directors.

In counterparty credit risk management of financial institutions, risk mitigation methods such as netting agreements, collateral and "margin" agreements are used. Collateralization principles and procedures are applied for companies and individuals other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

The risk of reverse tendency within the scope of the CCR appears in two ways as the risk of general reversal and the risk of specific reversal.

To avoid the general counter trend risk;

-Depending on the direction of the financing expenses of the corporate and commercial companies, it is taken care that the interest swap transactions made are aimed at "hedging". If the short-term liability of the firm is more than short-term liabilities susceptible to interest, interest rate swaps will be applied to the firm with the fixed interest rate. In the other case, interest rate swap transactions that the company pays variable interest are made.

-It is also important to note that the transactions are "hedged" for foreign currency transactions. If the firm is in a long position in the foreign exchange market, the transactions that the foreign exchange seller is the company and if the company is in the short position in the foreign exchange market, the transactions that the foreign exchange buyer is the company are taken into consideration.

To avoid the risk of specific counter trend risk;

-In the option transactions made on the other party's own shares, transactions are not made where the same counterparty is the option seller.

-In the credit derivative transactions on the counterparty's own credit risk, there are no transactions that the counterparty is the protection seller

For the actions taken under the CCR, the obligation to provide additional collateral due to the possible decline in the credibility of the Bank is followed.

2. Analysis of counterparty credit risk exposure by approach:

	Current Period - 31.12.2018	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	14.558.995	5.274.323	-	1,4	19.833.318	14.363.501
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	3.174.759	1.424.166
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	3.174.759	1.424.166
6	**Total**						**15.787.667**

(*) Effective Expected Positive Exposure

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	Prior Period - 31.12.2017	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	9.305.562	1.693.697	-	1,4	10.999.259	7.874.572
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	7.400.876	3.431.168
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	7.400.876	3.431.168
6	**Total**						**11.305.740**

(*) Effective Expected Positive Exposure

3. Credit valuation adjustment (CVA) capital charge:

		Current Period - 31.12.2018	
		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	19.833.318	6.596.521
4	**Total subject to the CVA capital charge**	**19.833.318**	**6.596.521**

		Prior Period - 31.12.2017	
		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	10.999.259	4.091.182
4	**Total subject to the CVA capital charge**	**10.999.259**	**4.091.182**

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4. Standardised approach – CCR exposures by regulatory portfolio and risk weights:

Current Period - 31.12.2018

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit
Regulatory portfolio									
Claims from central governments and central banks	76.180	-	-	-	-	1.994	-	-	1.994
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	112	-	-	112
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	2.741.323	9.422.582	-	2.558	-	-	5.262.114
Corporates	226.517	-	-	444	-	10.479.324	-	-	10.479.547
Retail portfolios	-	-	-	-	52.570	-	-	-	39.428
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	-	-	-	-	-	4.472	-	-	4.472
Stock investment	-	-	-	-	-	-	-	-	-
Other claims.	-	-	-	-	-	-	-	-	-
Other assets**	-	-	-	-	-	-	-	-	-
Total	**302.697**	**-**	**2.741.323**	**9.423.026**	**52.570**	**10.488.460**	**-**	**-**	**15.787.667**

(*)Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**)Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

Prior Period - 31.12.2017

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit
Regulatory portfolio									
Claims from central governments and central banks	91.013	-	-	-	-	22.036	-	-	22.036
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	148	-	-	148
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	1.618.513	11.148.194	-	10.225	-	-	5.908.024
Corporates	126.252	-	-	6.095	-	5.356.958	-	-	5.360.005
Retail portfolios	-	-	-	-	20.698	-	-	-	15.524
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	-	-	-	-	-	3	-	-	3
Stock investment	-	-	-	-	-	-	-	-	-
Other claims.	-	-	-	-	-	-	-	-	-
Other assets**	-	-	-	-	-	-	-	-	-
Total	**217.265**	**-**	**1.618.513**	**11.154.289**	**20.698**	**5.389.370**	**-**	**-**	**11.305.740**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

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5. Composition of collateral for CCR exposure: Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

6. Credit derivatives exposures:

Current Period - 31.12.2018	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	5.917.500	26.300
Index credit default swaps	-	-
Total return swaps	10.369.466	7.603.757
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**16.286.966**	**7.630.057**
Fair values		
Positive fair value (asset)	3.283.145	2.606.104
Negative fair value (liability)	-	-

Prior Period - 31.12.2017	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	18.700
Index credit default swaps	-	-
Total return swaps	6.127.434	4.541.941
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**6.127.434**	**4.560.641**
Fair values		
Positive fair value (asset)	1.581.610	1.581.610
Negative fair value (liability)	-	-

7. Exposures to central counterparties (CCP):

	Current Period – 31.12.2018	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**22.777**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	571.403	22.759
3	(i) OTC Derivatives	571.403	22.759
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin		
9	Pre-funded default fund contributions	7.655	18
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

	Prior Period - 31.12.2017	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**7.633**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	193.899	7.618
3	(i) OTC Derivatives	193.899	7.618
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin		
9	Pre-funded default fund contributions	6.519	15
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

e. Securitization explanations: The Bank has no securitization transactions.

f. Explanations on market risk:

1. Qualitative disclosure requirements related to market risk:

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations use variance-covariance, historical simulation and Monte Carlo simulation methods. The software used can perform calculations with an advanced yield curve and volatility models. The VaR model is based on the assumptions of 99% confidence interval and a 10-day holding period. VaR analyses are performed on a daily basis and reported to the Senior Management. VaR analyses are also used as risk and limit management instrument for trading transactions. The limits are reviewed periodically according to market conditions and the application of specified limits is subject to authority restrictions and therefore the control effectiveness is increased. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which have significant impact and the effects of market fluctuations. Retrospective tests of the model outputs are performed regularly. The standard method is used for the legal reporting.

The following table indicates the details of the market risk calculation as of 31 December 2018, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

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2. Standardised approach:

		Current Period 31.12.2018 RWA
	Outright products	
1	Interest rate risk (general and specific)	2.635.025
2	Equity risk (general and specific)	-
3	Foreign exchange risk	2.404.065
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	32.825
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**5.071.915**

Outright products refer to positions in products that are not optional.

		Prior Period 31.12.2017 RWA
	Outright products	
1	Interest rate risk (general and specific)	2.782.725
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1.783.014
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	80.513
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**4.646.252**

Outright products refer to positions in products that are not optional.

g. Explanations on operational risk:

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of 31 March 2017 is used in the operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2018 is calculated once a year by using the gross income of the Bank in 2015, 2016 and 2017.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of financial assets at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

	31.12.2015	31.12.2016	31.12.2017	Total/Positive GI year number	Ratio (%)	Total
Gross income	9.667.545	11.216.375	13.270.197	3	15	1.707.706
Amount subject to Operational Risk (Amount*12,5)						21.346.323

h. Interest rate risk related to banking book:

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

In addition to interest rate sensitivities measured and reported weekly, daily and transaction-based analyses are also performed when significant fluctuations occur in markets.

Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality are considered under interest rate risk scope.

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no. 28034 on 23 August 2011.

Calculation of the interest rate risk derived from banking books is presented below:

Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	(400)	2.611.360	%5,22
TL	500	(2.936.618)	(%5,87)
USD	(200)	(292.189)	(%0,58)
USD	200	286.062	%0,57
EURO	(200)	112.940	%0,23
EURO	200	(635.156)	(%1,27)
Total (for negative shocks)		**2.432.111**	**%4,86**
Total (for positive shocks)		**(3.285.712)**	**(%6,56)**

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XI. EXPLANATIONS ON HEDGE TRANSACTIONS:

The Bank hedges its TL and foreign denominated fixed rate financial assets with cross currency swaps and interest rate swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset in the balance sheet for TL denominated fixed rate mortgage loans. Fair value changes which have already been booked in equity, have been reclassified from equity to income statement for TL and FC denominated fixed rate available-for-sale financial assets.

The Bank hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate and cross currency swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss" whereas ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging item is taken out of the equity and reflected on the income statement.

Prospective tests are performed at the inception of the hedge relationships and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

The replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

The Bank also applies net investment hedge to hedge the foreign currency risk arising from investments abroad. Effective portion of the fair value change of the hedging instrument is accounted under "Hedging funds" under equity. Ineffective portion is accounted under income statement.

As of 31 December 2018, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet are summarized in the following table:

		Current Period 31.12.2018	
	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps			
-TL	16.237.238	4.693.776	647.569
-FC	45.826.317	363.508	41.041
Total	**62.063.555**	**5.057.284**	**688.610**

		Prior Period 31.12.2017	
	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps			
-TL	2.497.225	973.630	-
-FC	26.913.498	161.224	74.911
Total	**29.410.723**	**1.134.854**	**74.911**

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1. Explanations on Net Investment Risk:

The Group also applies fair value hedge strategy against the foreign currency risk arising from share premiums and paid-in-capital of Akbank AG, one of Bank's subsidiaries, amounting to EUR 320 Million. EUR 320 Million of syndication loans used by the Bank have been determined as "hedging instruments".

2. Explanations on Fair Value Hedge:

Current Period: 31.12.2018

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC financial assets at fair value through other comprehensive income	Interest rate risk	(43.581)	(33.893)	(9.688)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	2.632.655	(2.658.615)	(25.960)
Cross-currency swap	Fixed interest rate TL Commercial Loans. FC borrowings	Interest rate and currency risk	9.438	(9.438)	-

(*) Includes fair value differences arising from changes in foreign exchange rates for the hedge transactions having risk exposure of both interest rate and foreign currency.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains / (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

Prior Period: 31.12.2017

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC financial assets at fair value through other comprehensive income	Interest rate risk	(70.981)	63.778	(7.203)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	1.115.949	(1.104.587)	11.362

(*) Includes fair value differences arising from changes in foreign exchange rates for the hedge transactions having risk exposure of both interest rate and foreign currency.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

As of 31 December 2018 fair value hedge transactions have been proven to be effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2018, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 7.263 (31 December 2017: TL 15.256).

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3. Explanations on Cash Flow Hedge:

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain/(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	253.669	-	191.663	46.141	499
Cross Currency Swap	Short term FC commercial deposits	Cash Flow risk due to changes in interest rate of funds	1.735.670	48.976	129.136	(368.584)	84.273
Cross Currency Swap	Floating-rate FC given loans	Cash Flow risk due to changes in interest rate of funds	-	344.201	198.896	312.291	18.934
Interest Rate Swap	Short term TL deposits	Cash Flow risk due to changes in interest rate of funds	270	251.782	(216.086)	12.411	(1.567)

As of 31 December 2018 cash flow hedge transactions have been determined as effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2018, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (5.927) (31 December 2017: TL (18.772)).

- In order to hedge the cash flow risk of short-term FC commercial deposits, a cross-currency swap amounting to TL 755 million with nominal value which included in hedge accounting, has been closed out before the maturity date and hedge accounting related to aforementioned transaction has been terminated.

XXXI. QUALITATIVE DISCLOSURES ON REMUNERATION POLICIES

Explanations on Remuneration Committee

The Remuneration Committee consisting of two members from the board of directors who have no executive duties convened and evaluated the remuneration policies once in 2018. As a result of the meeting and related evaluations, the committee decided on continuation of existing policies. The main duties and responsibilities of the Remuneration Committee have been determined as follows:

- Reviewing the remuneration policy practices within the framework of the "Regulation on Corporate Governance Principles of Banks" published by the BRSA and keeping the wage management system up to date.
- Submitting the evaluation and recommendations on remuneration policies and practices within the framework of Corporate Governance Committee principles to the Board of Directors as an annual report
- Ensuring the implementation of variable remuneration (bonus) payments within the framework of Corporate Governance Committee principles.
- Determining payments to the members of the Board of Directors if they assume a different function in the bank.

The general principles of the Bank's remuneration policy apply to all bank employees.

Members of the Board of Directors and senior executives that have a significant impact on the Bank's risk profile are classified under the qualified employees. By the end of 2018, there are 16 employees that are considered as special employees in the Bank.

Information on the Design and Structure of the Remuneration Process

While determining the Bank's wage structure;

- Internal balance of wages and budgetary opportunities,
- Job description and level of responsibility of employees,
- Individual performance of each employee,
- The overall performance of the team and general performance of the bank,
- Employee competencies,
- Compliance with the Bank's internal and external regulations

are taken into consideration.

Remuneration Policy targeting acquisition, retention, rewarding and motivating human resources to achieve sustainable performance of the bank is structured as follows.

- Complying with the scope and structure of the Bank's operations, strategies, long-term targets and risk management structures,
- Preventing the excessive risk taking and contributing the effective risk management,

Evaluation of Remuneration Process Regarding the Methods of Addressing Current and Future Risks

In the remuneration processes, besides the applied risk management credit risk, operational risk, legal risk and reputation risk are taken into consideration . During the determination of bonus payments the risks arising from employees are also taken into consideration. Some portion of the bonus payments of the special employees are paid with non-cash assets indexed to the Bank's share value and some portion is deferred. Written agreements have been made with these employees for the cancellation of deferred payments in certain cases. In the recent year, there has been no change in the methods of assessment of risks in remuneration practices.

Evaluation of the Methods of Associating Premiums with Performance

Return on equity, asset size and other possible risks generally determined for the Bank are considered on a preferential basis for calculating the total amount of bonus payments. The Bank performance is determined as a prerequisite to individual bonus payments.

The bonus budget determined according to the Bank's performance is distributed to the employees in line with the unit performance affiliated with individual performance and fixed income. Profitability, efficiency and risk cost are taken into consideration in the measurement of individual performances.

In determining the premiums of the special employees, the general performance of the Bank is determined as preliminary criteria.

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The units within the scope of Internal Systems have independent bonus systems from Bank's performance system hence their budgets are separately managed. All decisions regarding the wage and bonus processes of these units are agreed at the Board of Directors level.

XII. EXPLANATIONS ON BUSINESS SEGMENTS:

The Group operates in three main business segments including retail banking, commercial banking, and corporate-investment and private banking and wealth management with treasury activities.These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account customer, customer relationship manager, branch segment and product. This information is made available to the branch and Head Office personnel through a web-based management reporting system.

Retail banking offers a variety of retail services such as deposit accounts, retail loans, commercial installment loans, credit cards, insurance products and asset management services. The consumer banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate Banking and Commercial Banking and SME Banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Bank provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities. In the scope of private banking, The Bank serves the members of the high-income customers who have expectations for upper-class service quality both in banking and investment transactions. Within the scope of international banking activities, activities are also being carried out in order to provide long-term funding, to provide funding under a price reflecting the country's risk, to diversify funding resources and to form an international investor base on this area.

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network.

Information on business segments as of 31 December 2018 and 31 December 2017 presented in the following tables. Explanations on business segments are prepared on the basis of data obtained from Bank Management Reporting System.

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	Retail Banking (*)	Commercial Banking, Corporate-Investment, Private Banking and Wealth Management	Treasury	Other and Unallocated	Bank's Total Activities
Current Period – 31 December 2018					
Operating Income	10.958.696	2.904.806	1.284.898	5.115.653	20.264.053
Profit from Operating Activities	5.380.007	(920.588)	1.005.889	1.200.988	6.666.296
Income from Subsidiaries	-	-	-	4.601	4.601
Income/(loss) from investments in subsidiaries consolidated based on equity method	-	-	-	304.959	304.959
Profit before Tax	5.380.007	(920.588)	1.005.889	1.510.548	6.975.856
Corporate Tax	-			(1.286.212)	(1.286.212)
Minority Shares	-	-	-	-	-
Net Profit for the Period	5.380.007	(920.588)	1.005.889	224.336	5.689.644
Segment Assets	71.535.564	132.521.609	103.342.019	-	307.399.192
Investments in Associates	-	-	-	5.457.662	5.457.662
Undistributed Assets	-	-	-	14.785.271	14.785.271
Total Assets					327.642.125
Segment Liabilities	124.653.231	57.955.297	88.464.828	-	271.073.356
Undistributed Liabilities	-	-	-	12.759.680	12.759.680
Shareholders' Equity	-	-	-	43.809.089	43.809.089
Total Liabilities					327.642.125
Other Segment Items					
Capital Investment	-	-	-	1.040.588	1.040.588
Amortization	(64.103)	7.284	3.934	(298.383)	(351.268)
Non-cash Other Income-Expense	(1.934.346)	(5.520.239)	(72.131)	(552.328)	(8.079.044)

(*) As of 22 November 2018, Retail Banking and SME Banking Business Units have been merged and Retail Banking Business Unit started to operate.

	Consumer Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Prior Period – 31 December 2017					
Operating Income	4.431.311	6.408.593	1.204.424	1.580.185	13.624.513
Profit from Operating Activities	1.908.223	4.428.191	968.166	(154.908)	7.149.672
Income from Subsidiaries	-	-	-	1.822	1.822
Income/(loss) from investments in subsidiaries consolidated based on equity method	-	-	-	365.117	365.117
Profit before Tax	1.908.223	4.428.191	968.166	212.031	7.516.611
Corporate Tax	-	-	-	(1.477.542)	(1.477.542)
Minority Shares	-	-	-	-	-
Net Profit for the Period	1.908.223	4.428.191	968.166	(1.265.511)	6.039.069
Segment Assets	53.929.605	157.464.085	87.767.727	-	299.161.417
Investments in Associates	-	-	-	4.137.021	4.137.021
Undistributed Assets	-	-	-	12.732.430	12.732.430
Total Assets					316.030.868
Segment Liabilities	94.762.137	85.190.850	85.734.750	-	265.687.737
Undistributed Liabilities	-	-	-	9.918.625	9.918.625
Shareholders' Equity	-	-	-	40.424.506	40.424.506
Total Liabilities					316.030.868
Other Segment Items					
Capital Investment	-	-	-	473.075	473.075
Amortization	(21.112)	(16.823)	-	(233.256)	(271.191)
Non-cash Other Income-Expense	(284.443)	(113.985)	(54.107)	(1.370.040)	(1.822.575)

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SECTION FIVE
INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

The prior period financial statements are not restated according to transition requirements of TFRS 9. Prior year disclosures prepared under different bases are presented separately.

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash equivalents and the account of the CBRT:

	Current Period 31 December 2018 TL	FC
Cash/Foreign Currency	1.796.417	1.826.103
The CBRT (*)	2.928.915	23.504.830
Other (**)	-	57.527
Total	**4.725.332**	**25.388.460**

(*) Precious metal account amounting to TL 3.432.683 are included in FC.
(**) Precious metal account amounting to TL 57.522 are included in FC.

	Prior Period 31 December 2017 TL	FC
Cash/Foreign Currency	1.427.722	735.952
The CBRT (*)	7.033.859	26.021.620
Other (**)	1	144.012
Total	**8.461.582**	**26.901.584**

(*) Precious metal account amounting to TL 5.118.058 are included in FC.
(**) Precious metal account amounting to TL 102.465 are included in FC.

2. Information related to the account of the CBRT:

	Current Period 31 December 2018 TL	FC
Unrestricted Demand Deposits	124	-
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	-
Reserve Requirement	2.928.791	23.504.830
Total	**2.928.915**	**23.504.830**

	Prior Period 31 December 2017 TL	FC
Unrestricted Demand Deposits	1.647	-
Unrestricted Time Deposits	3.080.092	-
Restricted Time Deposits	-	-
Reserve Requirement	3.952.120	26.021.620
Total	**7.033.859**	**26.021.620**

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3. Explanation on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT pays interest on reserve balances held in TL and USD.

The required reserve rates for TL liabilities vary between 1,5% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 20% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

b. Information on financial assets at fair value through profit or loss:

As of 31 December 2018, there are no financial assets at fair value through profit or loss subject to repo transactions (31 December 2017: None) or given as collateral/blocked (31 December 2017: None).

c. Information on derivative financial assets held-for-trading:

(i) Table of positive differences related to derivative financial assets (*)

	Current Period 31 December 2018	
	TL	FC
Forward Transactions	1.004.135	-
Swap Transactions	11.441.676	4.645.436
Futures Transactions	-	-
Options	67.222	454.254
Other	-	-
Total	12.513.033	5.099.690

(*)Excluding hedging derivatives financial assets.

(ii) Table of positive differences related to trading derivative financial assets

	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	421.168	-
Swap Transactions	5.098.770	2.555.045
Futures Transactions	-	-
Options	31.866	170.658
Other	-	-
Total	5.551.804	2.725.703

d. Information on banks and foreign banks:

1. Information on banks account:

	Current Period 31 December 2018	
	TL	FC
Banks		
Domestic	207	601.823
Foreign	463.733	16.936.222
Head Quarters and Branches Abroad	-	-
Total	463.940	17.538.045

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	Prior Period 31 December 2017	
	TL	FC
Banks		
Domestic	10.397	1.468.750
Foreign	-	6.637.632
Head Quarters and Branches Abroad	-	-
Total	10.397	8.106.382

	Unrestricted Amount	Restricted Amount (**)
	Current Period 31 December 2018	Current Period 31 December 2018
European Union Countries	7.038.537	4.387.506
USA, Canada	5.329.591	615.389
OECD Countries (*)	16.399	-
Off-Shore Banking Regions	-	-
Other	12.533	-
Total	12.397.060	5.002.895

(*) OECD Countries other than EU countries, USA and Canada.
(**) Restricted amounts which mainly consist of collaterals related to borrowings are kept in several banks.

	Unrestricted Amount	Restricted Amount (**)
	Prior Period 31 December 2017	Prior Period 31 December 2017
European Union Countries	1.517.919	4.071.661
USA, Canada	589.738	431.048
OECD Countries (*)	12.789	-
Off-Shore Banking Regions	-	-
Other	6.317	8.160
Total	2.126.763	4.510.869

(*) OECD Countries other than EU countries, USA and Canada.
(**) Restricted amounts which mainly consist of collaterals related to borrowings are kept in several banks.

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

1. As of 31 December 2018, financial assets fair value through other comprehensive income subject to repurchase agreements amounting to TL 11.515.081 (31 December 2017: TL 18.926.124); and those given as collateral/blocked amounting to TL 8.421.116 (31 December 2017: TL 2.586.927).

2. (i) Information on financial assets fair value through other comprehensive income:

	Current Period 31 December 2018
Debt Securities	44.953.968
Quoted at Stock Exchange (*)	43.557.799
Unquoted at Stock Exchange	1.396.169
Share Certificates	13.455
Quoted at Stock Exchange	-
Unquoted at Stock Exchange	13.455
Impairment Provision (-)	2.593.916
Total	42.373.507

(*) Investment funds are included.

(ii) Information on available-for-sale financial assets:

	Prior Period 31 December 2017
Debt Securities	41.508.616
Quoted at Stock Exchange (*)	41.369.497
Unquoted at Stock Exchange	139.119
Share Certificates	97.875
Quoted at Stock Exchange	-
Unquoted at Stock Exchange	97.875
Impairment Provision (-)	799.921
Total	**40.806.570**

(*) Investment funds are included.

f. Information related to loans:

1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period 31 December 2018	
	Cash	**Non-cash**
Direct Loans Granted to Shareholders	-	1.440
Corporate Shareholders	-	1.440
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	5.281.095	1.073.121
Loans Granted to Employees	114.675	-
Total	**5.395.770**	**1.074.561**

	Prior Period 31 December 2017	
	Cash	**Non-cash**
Direct Loans Granted to Shareholders	-	246
Corporate Shareholders	-	246
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	5.560.592	923.453
Loans Granted to Employees	113.133	-
Total	**5.673.725**	**923.699**

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

(i). Loans at amortised cost (*):

Current Period – 31 December		Loans under follow-up		
			Restructured Loans	
Cash Loans	**Standard Loans**	**Loans not subejct to restructuring**	**Loans with revised contract terms**	**Refinance**
Non-specialized Loans				
Loans given to enterprises	16.246.160	2.236.888	118	1.949.139
Export Loans	8.453.632	428.060	438	174.775
Import Loans	-	-	-	-
Loans Given to Financial Sector	7.725.859	396	-	-
Consumer Loans	25.569.867	2.596.310	871.206	104.709
Credit Cards	13.096.826	979.253	-	680.539
Other	78.575.502	11.796.488	113	7.051.401
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**149.667.846**	**18.037.395**	**871.875**	**9.960.563**

(*) The balances of loans at fair value profit or loss has not been included.

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(ii). Loans at fair value through profit or loss:

For the restructuring of the syndacation loan extended to Ojer Telekominasyon A.Ş (OTAŞ), which is the main shareholder of Türk Telekom, an agreement has been made between all creditors including the Bank. As per the agreed structure, 1.925.000.000 Class A Shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities are taken over on 21 December 2018 by a special purpose vehicle Levent Yapılandırma Yönetimi A.Ş. ("LYY") owned directly or indirectly by the creditors. The Bank participated in LYY with a share of 35,56% for its share in receivables from OTAŞ. With in the scope of the acquisition of Türk Telekom shares by LYY and related agreements, the amount of credit extended to LYY by the Bank for the acquisition of shares, which are the guarantee of OTAŞ loans, is 1.272 millon USD (6.990 million TL) as of 31 December 2018. This loan has been reclassified as "Loans" under "Fair Value through Profit or Loss". The maturity of related loan is 1 year and it can be extended. As stated in agreements for mentioned loan, it is foreseen that a part of the loan given to LYY shall be transferred from loans to capital and added to LYY capital in the following period. The shares of Türk Telekom, are pledged for this loan and constitute the guarantee of the loan granted to LYY. The main purpose of LYY is transferring the shares of Türk Telekom to an expert investor by providing to necessary conditions as soon as possible.

Current Period-31 December 2018		
Expected Credit Loss Stage I and Stage II	**Standard Loans**	**Loans under Follow-up**
12 Month Expected Credit Losses	637.503	-
Significant Increase in Credit Risk	-	2.741.613
Total	**637.503**	**2.741.613**

	Prior Period 31 December 2017
General Provisions	**2.654.011**
Provisions for Group I. Loans and Receivables	984.882
Provisions for Group II. Loans and Receivables	121.358
Provisions for Non-cash Loans	64.229
Other	1.483.542

As of 31 December 2017, the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no: 29918. The Bank's provision ratios are over these minimum ratios. Surplus provision amount of TL 1.4 billion (full TL amount) over the minimum provision ratios is included in the "Other" line on the table above.

Current Period - 31 December 2018

Number of Extension	Standard loans and other receivables	Loans and other receivables under Follow-up
Extended by 1 or 2 times	4.340.357	11.794.837
Extended by 3,4 or 5 times	102.708	307.458
Extended by more than 5 times	10.562	11.481
Total	**4.453.627**	**12.113.776**

Extension periods	Standard loans and other receivables	Loans and other receivables under Follow-up
0 - 6 Months	1.480.655	1.630.709
6 - 12 Months	318.467	4.763.560
1 - 2 Years	646.836	986.675
2 - 5 Years	1.009.323	3.010.485
5 Years and over	998.346	1.722.347
Total	**4.453.627**	**12.113.776**

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3. Breakdown of loans according to their maturities (*)

		Loans Under Follow-Up	
	Standard Loans	Non-restructured	Restructured or rescheduled
Short-term Loans	42.509.818	3.553.407	1.439.770
Medium and Long-Term Loans	107.158.028	14.483.988	9.392.668
Total	**149.667.846**	**18.037.395**	**10.832.438**

(*) The balances of loans at fair value profit or loss has not been included.

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4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

Current Period – 31.12.2018	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**641.242**	**27.032.858**	**27.674.100**
Mortgage Loans	1.600	10.799.366	10.800.966
Automotive Loans	1.211	136.735	137.946
Consumer Loans	638.431	16.096.757	16.735.188
Other	-	-	-
Consumer Loans- Indexed to FC	**-**	**1.289**	**1.289**
Mortgage Loans	-	1.289	1.289
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	**11.428.605**	**568.087**	**11.996.692**
With Installment	3.869.730	566.715	4.436.445
Without Installment	7.558.875	1.372	7.560.247
Consumer Credit Cards-FC	**11.816**	**-**	**11.816**
With Installment	-	-	-
Without Installment	11.816	-	11.816
Personnel Loans-TL	**5.100**	**57.903**	**63.003**
Mortgage Loans	-	3.592	3.592
Automotive Loans	-	36	36
Consumer Loans	5.100	54.275	59.375
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**51.496**	**24**	**51.520**
With Installment	16.959	24	16.983
Without Installment	34.537	-	34.537
Personnel Credit Cards-FC	**152**	**-**	**152**
With Installment	-	-	-
Without Installment	152	-	152
Credit Deposit Account-TL (Real Person)	**1.403.700**	**-**	**1.403.700**
Credit Deposit Account-FC (Real Person)	**-**	**-**	**-**
Total Consumer Loans	**13.542.111**	**27.660.161**	**41.202.272**

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Prior Period – 31.12.2017	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**716.767**	**30.274.352**	**30.991.119**
Mortgage Loans	7.443	13.217.359	13.224.802
Automotive Loans	3.517	251.107	254.624
Consumer Loans	705.807	16.805.886	17.511.693
Other	-	-	-
Consumer Loans- Indexed to FC	**-**	**4.382**	**4.382**
Mortgage Loans	-	3.778	3.778
Automotive Loans	-	-	-
Consumer Loans	-	604	604
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	**10.791.056**	**605.582**	**11.396.638**
With Installment	4.455.077	602.801	5.057.878
Without Installment	6.335.979	2.781	6.338.760
Consumer Credit Cards-FC	**12.439**	**-**	**12.439**
With Installment	-	-	-
Without Installment	12.439	-	12.439
Personnel Loans-TL	**4.504**	**62.087**	**66.591**
Mortgage Loans	-	3.904	3.904
Automotive Loans	-	54	54
Consumer Loans	4.504	58.129	62.633
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**46.298**	**27**	**46.325**
With Installment	18.202	27	18.229
Without Installment	28.096	-	28.096
Personnel Credit Cards-FC	**217**	**-**	**217**
With Installment	-	-	-
Without Installment	217	-	217
Credit Deposit Account-TL (Real Person)	**1.063.092**	**-**	**1.063.092**
Credit Deposit Account-FC (Real Person)	**-**	**-**	**-**
Total Consumer Loans	**12.634.373**	**30.946.430**	**43.580.803**

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

Current Period – 31.12.2018	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	**1.013.895**	**12.614.322**	**13.628.217**
Mortgage Loans	5.555	8.397	13.952
Automotive Loans	38.764	66	38.830
Consumer Loans	969.576	12.605.859	13.575.435
Other	-	-	-
FC Indexed Commercial Installment Loans	**4.555**	**353.390**	**357.945**
Mortgage Loans	-	1.019	1.019
Automotive Loans	-	-	-
Consumer Loans	4.555	352.371	356.926
Other	-	-	-
Commercial Installment Loans-FC	**8.487**	**199.661**	**208.148**
Mortgage Loans	-	-	-
Automotive Loans	3.515		3.515
Consumer Loans	4.972	199.661	204.633
Other	-	-	-
Corporate Credit Cards-TL	**2.693.636**	**50**	**2.693.686**
With Installment	795.746	43	795.789
Without Installment	1.897.890	7	1.897.897
Corporate Credit Cards-FC	**2.752**	**-**	**2.752**
With Installment		-	
Without Installment	2.752	-	2.752
Credit Deposit Account-TL (Legal Person)	**1.159.752**	**-**	**1.159.752**
Credit Deposit Account-FC (Legal person)	**-**	**-**	**-**
Total	**4.883.077**	**13.167.423**	**18.050.500**

Prior Period – 31.12.2017	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	**1.119.222**	**16.749.813**	**17.869.035**
Mortgage Loans	14.390	3.147	17.537
Automotive Loans	54.110	30	54.140
Consumer Loans	1.050.722	16.746.636	17.797.358
Other	-	-	-
FC Indexed Commercial Installment Loans	**42.260**	**505.766**	**548.026**
Mortgage Loans	-	1.422	1.422
Automotive Loans	3.424	-	3.424
Consumer Loans	38.836	504.344	543.180
Other	-	-	-
Commercial Installment Loans-FC	**192**	**130.514**	**130.706**
Mortgage Loans	-	-	-
Automotive Loans	-		-
Consumer Loans	192	130.514	130.706
Other	-	-	-
Corporate Credit Cards-TL	**2.590.251**	**144**	**2.590.395**
With Installment	1.143.897	54	1.143.951
Without Installment	1.446.354	90	1.446.444
Corporate Credit Cards-FC	**2.912**	-	**2.912**
With Installment	-	-	-
Without Installment	2.912	-	2.912
Credit Deposit Account-TL (Legal Person)	**745.285**	-	**745.285**
Credit Deposit Account-FC (Legal person)	-	-	-
Total	**4.500.122**	**17.386.237**	**21.886.359**

6. Loans according to types of borrowers:

	Current Period 31 December 2018
Public	956.112
Private	184.271.775
Total	**185.227.887**

	Prior Period 31 December 2017
Public	763.867
Private	189.592.481
Total	**190.356.348**

7. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers:

	Current Period 31 December 2018
Domestic Loans	179.001.152
Foreign Loans	6.226.735
Total	**185.227.887**

	Prior Period 31 December 2017
Domestic Loans	184.926.408
Foreign Loans	5.429.940
Total	**190.356.348**

8. Loans granted to investments in associates and subsidiaries:

	Current Period 31 December 2018
Direct Loans Granted to Investments in Associates and Subsidiaries	291.767
Indirect Loans Granted to Investments in Associates and Subsidiaries	-
Total	**291.767**

	Prior Period 31 December 2017
Direct Loans Granted to Investments in Associates and Subsidiaries	346.273
Indirect Loans Granted to Investments in Associates and Subsidiaries	-
Total	**346.273**

9. (i) Credit-Impaired Losses (Stage III / Specific Provision):

	Current Period 31 December 2018
Loans and Other Receivables with Limited Collectibility	724.871
Loans and Other Receivables with Doubtful Collectibility	1.226.217
Uncollectible Loans and Receivables	2.611.760
Total	**4.562.848**

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(ii) Specific provisions accounted for loans:

	Prior Period 31 December 2017
Loans and Other Receivables with Limited Collectibility	579.034
Loans and Other Receivables with Doubtful Collectibility	650.121
Uncollectible Loans and Receivables	3.150.937
Total	**4.380.092**

10. Information on non-performing loans (Net):

10. (i) Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectibility	Loans with Doubtful Collectibility	Uncollectible Loans
Current Period: 31 December 2018			
(Gross Amounts Before Specific Provisions)	37.886	108.383	106.612
Rescheduled Loans and Other Receivables	37.886	108.383	106.612
Prior Period: 31 December 2017			
(Gross Amounts Before Specific Provisions)	31.483	39.558	71.021
Rescheduled Loans and Other Receivables	31.483	39.558	71.021

10. (ii) Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance: 31 December 2017	**579.034**	**650.121**	**3.303.556**
Additions (+)	9.002.953	428.596	151.865
Transfers from Other Categories of Non-Performing Loans (+)	-	3.901.728	1.485.064
Transfers to Other Categories of Non-Performing Loans (-)	3.901.728	1.485.064	-
Collections (-) (*)	727.622	638.986	412.592
Write-offs (-) (**)	3.271.451	2.607	5.875
Sold Portfolio	-	-	1.218.371
Corporate and Commercial Loans	-	-	299.572
Consumer Loans	-	-	409.406
Credit Cards	-	-	509.393
Other	-	-	-
Balance at the End of the Period	**1.681.186**	**2.853.788**	**3.303.647**
Specific Provisions (-)	724.871	1.226.217	2.611.760
Net Balance at Balance Sheet	**956.315**	**1.627.571**	**691.887**

(*) TL 774 million (in full TL principal amount) portion of the Bank's non-performing loan portfolio has been sold at a price of TL 36 million (in full TL amount) to 3 companies Efes Varlık Yönetim A.Ş., Hayat Varlık Yönetimi A.Ş. and Final Varlık Yönetimi A.Ş. TL 446 million (in full TL principal amount) portion of the Bank's non-performing loan portfolio has been sold at a price of TL 19.4 million (in full TL amount) to 3 companies Arsan Varlık Yönetim A.Ş., İstanbul Varlık Yönetimi A.Ş. and Sümerl Varlık Yönetimi A.Ş.

(**) Within the scope of acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has been transferred cash loan risk amounted TL 3.269 millon from "Loans and receviables under follow up" to "Non-performing Loans" and subsequently write off TL 3.269 millon. The related transferred and write-off amounts are included in "Additions" and "Write-off" lines.

10. (iii) Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period: 31 December 2018			
Balance at the End of the Period	239.210	1.583.409	533.704
Specific Provision (-)	87.114	532.960	279.665
Net Balance on Balance Sheet	152.096	1.050.449	254.039
Prior Period: 31 December 2017			
Balance at the End of the Period	17.562	28.123	405.791
Specific Provision (-)	17.562	28.123	277.527
Net Balance at Balance Sheet	-	-	128.264

Non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

10. (iv) Breakdown of non-performing loans according to their gross and net values:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net): 31 December 2018			
Loans granted to corporate entities and real persons (Gross)	1.681.186	2.853.788	3.303.647
Specific Provision Amount (-)	724.871	1.226.217	2.611.760
Loans granted to corporate entities and real persons (Net)	956.315	1.627.571	691.887
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-
Prior Period (Net): 31 December 2017			
Loans granted to corporate entities and real persons (Gross)	579.034	650.121	3.303.556
Specific Provision Amount (-)	579.034	650.121	3.150.937
Loans granted to corporate entities and real persons (Net)	-	-	152.619
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-

10. (v) Information on the collection policy of non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
Current Period: 31 December 2018			
Interest accruals and valuation differences	163.127	361.402	119.378
Provision (-)	84.613	168.980	88.875
Prior Period: 31 December 2017			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

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11. Information on the collection policy of non-performing loans and other receivables:

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals.

12. Information on the write-off policy:

Write-off policy of the Bank for receivables under follow-up is to retire the receivables from assets in case of verification of the inability of collection through the legal follow-up process.

g. Financial assets measured at amortised cost:

1. Information on financial assets subject to repurchase agreements and those given as collateral/blocked:

(i). Financial assets measured at amortised cost

	Current Period 31 December 2018	
	TL	FC
Given as collateral/blocked	-	659.977
Subject to repurchase agreements	151.531	2.482.866
Total	**151.531**	**3.142.843**

(ii). Held-to-maturity:

	Prior Period 31 December 2017	
	TL	FC
Given as collateral/blocked	116.330	1.842.301
Subject to repurchase agreements	4.089.705	8.110.245
Total	**4.206.035**	**9.952.546**

2. Information on held-to-maturity government debt securities:

(i) Financial assets measured at amortised cost

	Current Period 31 December 2018
Government Bonds	9.062.489
Treasury Bills	-
Other Government Debt Securities	691.694
Total	**9.754.183**

(ii) Financial assets held-to-maturity

	Prior Period 31 December 2017
Government Bonds	13.596.948
Treasury Bills	-
Other Government Debt Securities	2.546.431
Total	**16.143.379**

3. (i) Information on financial assets measured at amortised cost:

	Current Period 31 December 2018
Debt Securities	12.328.067
Quoted at Stock Exchange	12.328.067
Unquoted at Stock Exchange	-
Impairment Provision (-)	64.586
Total	**12.263.481**

(ii) Information on held-to-maturity investments:

	Prior Period 31 December 2017
Debt Securities	19.132.124
Quoted at Stock Exchange	19.132.124
Unquoted at Stock Exchange	-
Impairment Provision (-)	249.092
Total	**18.883.032**

4. (i) The movement of financial assets measured at amortised cost:

	Current Period 31 December 2018
Balance at the Beginning of the Period	18.883.032
Foreign Currency Differences on Monetary Assets	1.683.147
Purchases During Year	1.654.189
Disposals Through Sales and Redemptions (*)	(10.713.907)
Impairment Provision	184.506
Change in Amortized Cost	572.514
Balance at the End of the Period	**12.263.481**

(*)The Bank has reviewed its management model for securities in accordance with TFRS 9 standard. Securities amounting to TL 4.927.185 previously classified as held to maturity and measured at amortized cost are classified to fair value through other comprehensive income because of the appropriate management model is intended to be used for selling or financing cash flows.

(ii) The movement of financial investments held-to-maturity:

	Prior Period 31 December 2017
Balance at the Beginning of the Period	17.976.682
Foreign Currency Differences on Monetary Assets	1.223.819
Purchases During Year	226
Disposals Through Sales and Redemptions	(765.997)
Impairment Provision	(75.298)
Change in Amortized Cost	523.600
Balance at the End of the Period	**18.883.032**

h. Information on investments in associates (Net):

1. Information about investments in associates:

	Title	Address (City / Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	9,98	9,98
2	Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	9,09	9,09

2. Main financial figures of associates, in the order of the above table:

The financial figures stated below have been obtained from the financial statements date 30 September 2018.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	94.425	57.724	48.696	1.137	-	8.630	3.260	-
2	296.536	193.394	177.837	5.984	39	23.681	28.103	-

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3. Movement schedule of investments in associates:

	Current Period 31 December 2018
Balance at the Beginning of the Period	3.923
Movements During the Period	
Purchases	-
Bonus Shares and Contributions to Capital (*)	1.598
Dividends from Current Year Income	-
Sales/Liquidation	-
Revaluation Increase	-
Impairment Provision (-)	-
Balance at the End of the Period	5.521
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) The amount is derived from the increase in the capital of Bankalararası Kart Merkezi A.Ş., 9,98% subsidiary of the Bank, by TL 16.000.

	Prior Period 31 December 2017
Balance at the Beginning of the Period	3.923
Movements During the Period	
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends from Current Year Income	-
Sales/Liquidation	-
Revaluation Increase	-
Impairment Provision (-)	-
Balance at the End of the Period	3.923
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

i. Information related to subsidiaries (Net):

1. Information on shareholders' equity of subsidiaries:

The following amounts have been obtained from the financial statements as of 31 December 2018 prepared in accordance with legislation in which companies are subject to.

	Ak Finansal Kiralama A.Ş.	Ak Yatırım Menkul Değerler A.Ş.	Ak Portföy Yönetimi A.Ş.	Akbank AG	AkÖde A.Ş.
Paid in Capital	235.007	96.802	10.534	740.648	12.000
Share Premium	-	-	-	-	-
Reserves	575.244	61.081	18.310	3.274.431	-
Gains recognized in equity as per TAS	-	(1.671)	(151)	-	-
Profit/Loss	(81.083)	240.253	42.831	233.114	(3.092)
- Net Current Period Profit	(81.083)	113.732	42.277	233.114	(3.092)
- Prior Year Profit/Loss	-	126.521	554	-	-
Development Cost of Operating Lease (-)	28	1.231	-	289	-
Remaining other intangible assets after offset with the related deferred tax liability excluding mortgage servicing rights	1.658	14.156	119	5.421	-
Total Common Equity	**727.482**	**381.078**	**71.405**	**4.242.483**	**8.908**
Total Additional Tier I Capital	**-**	**-**	**-**	**-**	**-**
Portion of Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities not deducted from the Common Equity as per the 1st Clause of Provisional Article 2 of the "Regulation on the Equity of Banks" (-)	-	-	-	-	-
Total Tier I Capital	**727.482**	**381.078**	**71.405**	**4.242.483**	**8.908**
Tier II Capital	**142.841**	**301**	**5**	**37.271**	**-**
CAPITAL	**870.323**	**381.379**	**71.410**	**4.279.754**	**8.908**
Deductions from Capital	**-**	**-**	**-**	**-**	**-**
TOTAL CAPITAL	**870.323**	**381.379**	**71.410**	**4.279.754**	**8.908**

The Bank's subsidiaries, included in the consolidated calculation of capital requirement, do not have additional capital requirements.

2. Accounting method used for the valuation of subsidiaries: Disclosed in Note III of Section Three.

3. Information on subsidiaries:

	Title	Address (City / Country)	Bank's Share Percentage-If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1	Ak Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	99,99
2	Ak Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	100,00
3	Ak Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	100,00
4	Akbank AG	Frankfurt/Germany	100,00	100,00
5	AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.	İstanbul/Turkey	100,00	100,00

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4. The financial figures have been obtained from the financial statements as at 31 December 2018 prepared in accordance with local regulations.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	6.721.084	727.160	177.306	543.528	-	(81.083)	56.786	-
2	731.135	396.465	20.175	254.561	(1.258)	113.732	55.812	-
3	84.886	71.524	2.121	10.498	-	42.277	33.818	-
4	27.317.608	4.248.193	6.294	1.203.250	68.241	233.114	218.727	-
5	10.063	8.908	768	376	-	(3.092)	-	-

5. Movement schedule of subsidiaries:

	Current Period 31 December 2018
Balance at the Beginning of the Period	4.133.098
Movements During the Period	
Additions (*)	62.000
Bonus Shares and Contributions to Capital	-
Dividends from Current Year Income	304.959
Sales/Liquidation	-
Revaluation Increase (**)	952.084
Revaluation/Impairment	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries	-
Balance at the End of the Period	5.452.141
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) Amounts refers to TL 12.000 that the Bank pays for the establishment capital of AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş., and the capital increase of Ak Yatırım Menkul Değerler by TL 50.000 which are wholly owned subsidiaries of the Bank.
(**)Amounts refer to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note III of the Section Three.

	Prior Period 31 December 2017
Balance at the Beginning of the Period	3.334.164
Movements During the Period	
Additions (*)	6.455
Bonus Shares and Contributions to Capital (*)	1.545
Dividends from Current Year Income	365.117
Sales/Liquidation (**)	2.243
Revaluation Increase (***)	423.574
Revaluation/Impairment	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries	-
Balance at the End of the Period	4.133.098
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) Amounts arises from the capital of Ak Portföy Yönetimi A.Ş is increased by TL 8.000 including TL 6.455 in cash and TL 1.545 from internal sources.
(**) The amount represents the liquidation of Akbank (Dubai) Limited which is 100% subsidiary of the Bank.
(***) Amounts refer to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note III of the Section Three.

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

Subsidiaries	Current Period 31 December 2018
Banks	4.248.193
Insurance Companies	-
Factoring Companies	-
Leasing Companies	727.051
Finance Companies	-
Other Financial Subsidiaries	476.897

Subsidiaries	Prior Period 31 December 2017
Banks	2.982.385
Insurance Companies	-
Factoring Companies	-
Leasing Companies	859.897
Finance Companies	-
Other Financial Subsidiaries	290.816

7. Subsidiaries quoted to a stock exchange: None.

j. Information on joint ventures: None

k. Information on finance lease receivables (Net): None.

l. Information on the Hedging Derivative Financial Assets:

	Current Period 31 December 2018	
	TP	YP
Fair Value Hedge	2.957.837	109.839
Cash Flow Hedge	1.735.939	253.669
Net Investment Hedge in a foreign operation	-	-
Total	**4.693.776**	**363.508**

	Prior Period d 31 December 2017	
	TP	YP
Fair Value Hedge	973.630	29.776
Cash Flow Hedge	-	131.448
Net Investment Hedge in a foreign operation	-	-
Total	**973.630**	**161.224**

m. Information on property and equipment:

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 January '2017. The revaluation difference amounting to TL 2.465.549 is shown under "Investment Properties Revaluation" in the below table.

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	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2017				
Cost	3.064.583	1.282.602	46.101	4.393.286
Accumulated Depreciation(-)	115.663	861.185	-	976.848
Net Book Value	**2.948.920**	**421.417**	**46.101**	**3.416.438**
Current Period End: 31 December 2018				
Net Book Value at the Beginning of the Period	2.948.920	421.417	46.101	3.416.438
Additions	23.900	380.882	313.680	718.462
Investment Properties Revaulation differences	-	-	-	-
Transferred	11.986	-	(11.986)	-
Disposals (-), net	4.404	772	-	5.176
Depreciation (-)	27.207	154.529	-	181.736
Impairment	429	-	-	429
Cost at Period End	3.092.373	1.601.719	347.795	5.041.887
Accumulated Depreciation at Period End (-)	138.749	954.721	-	1.093.470
Closing Net Book Value	**2.953.624**	**646.998**	**347.795**	**3.948.417**

As of 31 December 2018, net book value of the tangible fixed assets obtained by financial leasing is TL 42.100

	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2016				
Cost	845.082	1.138.811	2.383	1.986.276
Accumulated Depreciation(-)	336.058	775.016	-	1.111.074
Net Book Value	**509.024**	**363.795**	**2.383**	**875.202**
Current Period End: 31 December 2017				
Net Book Value at the Beginning of the Period	509.024	363.795	2.383	875.202
Additions	5.392	180.381	52.980	238.753
Investment Properties Revaulation differences	2.465.549	-	-	2.465.549
Transferred	9.262	-	(9.262)	-
Disposals (-), net	9.283	463	-	9.746
Depreciation (-)	29.551	122.296	-	151.847
Impairment	(1.473)	-	-	(1.473)
Cost at Period End	3.064.583	1.282.602	46.101	4.393.286
Accumulated Depreciation at Period End (-)	115.663	861.185	-	976.848
Closing Net Book Value	**2.948.920**	**421.417**	**46.101**	**3.416.438**

As of 31 December 2017, net book value of the tangible fixed assets obtained by financial leasing is TL 80.315.

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n. Information on intangible assets:

1. Cost and accumulated amortization at the beginning and end of the period:

	Current Period 31 December 2018
Cost	1.344.288
Accumulated Amortization (-)	720.045
Net Book Value	**624.243**
	Prior Period 31 December 2017
Cost	1.022.162
Accumulated Amortization (-)	550.512
Net Book Value	**471.650**

2. Reconciliation of movements for the current period and prior period:

	Current Period 31 December 2018
Opening Balance Net Book Value	**471.650**
Additions	322.126
Disposals (-), net	-
Depreciation (-)	169.533
Closing Net Book Value	**624.243**

	Prior Period 31 December 2017
Opening Balance Net Book Value	**356.672**
Additions	234.322
Disposals (-), net	-
Depreciation (-)	119.344
Closing Net Book Value	**471.650**

o. Information on the investment properties: None.

p. Information on deferred tax asset:

As of 31 December 2018, the Bank has TL 23.410 deferred tax asset (31 December 2017: None). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values and tax values of fixed assets, financial assets and liabilities and provision for employee rights.

Deferred tax assets and liabilities which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation are netted-off and accounted. There are no carry forward tax losses that can be used as deductions for the tax calculation. An explanation about the net deferred tax liability is given in Note II-i-2 of Section Five.

	Accumulated temporary differences	Deferred tax assets/(liabilities))
Current Period - 31 December 2018		
Employee benefits	311.510	68.532
Expected Credit Loss Provisons (Stage 1-2)	3.799.336	836.514
Other	289.095	63.600
Differences between book value and tax base of property, plant and equipment	(740.506)	(162.911)
Differences between book value and tax base of financial assets	(3.509.077)	(765.191)
Investment Properties Revaulation differences	(2.461.256)	(300.829)
Deferred Tax Asset/(Liabilities) Net		**(260.285)**

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	Accumulated temporary differences	Deferred tax assets/(liabilities))
Prior Period - 31 December 2017		
Employee benefits	290.127	65.857
Other	305.769	61.927
Differences between book value and tax base of property, plant and equipment	(584.033)	(22.011)
Differences between book value and tax base of financial assets	(1.180.504)	(225.979)
Investment Properties Revaulation differences	(2.465.549)	(162.883)
Deferred Tax Asset/(Liabilities) Net		**(383.089)**

q. Information on property and equipment held for sale and related to discontinued operations:

	Current Period 31 December 2018
Cost	90.384
Accumulated Depreciation (-)	79
Net Book Value	**90.305**

	Current Period 31 December 2018
Opening Balance Net Book Value	**57.520**
Additions (*)	70.412
Disposals (-), net	37.545
İmpairment (-)	82
Depreciation (-)	-
Closing Net Book Value	**90.305**

(*) The Bank has participated in 35,56% of recently established Levent Yapılandırma Yönetimi A.Ş. and the Bank's share of TL 18 has been classified under property and equipment held for sale purpose, as stated in I-f-2 in section V. Related amount reflected on "additions" row of table above.

	Prior Period 31 December 2017
Cost	57.687
Accumulated Depreciation (-)	167
Net Book Value	**57.520**

	Prior Period 31 December 2017
Opening Balance Net Book Value	**42.343**
Additions	53.020
Disposals (-), net	37.683
İmpairment (-)	160
Depreciation (-)	-
Closing Net Book Value	**57.520**

r. Information on other assets:

Other assets amounting to TL 6.038.884 (31 December 2017: TL 3.296.128) on the balance sheet and do not exceed 10% of the total assets, excluding the off-balance sheet commitments.

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits: There are no seven-day notification deposits.

1 (i). Current Period – 31 December 2018:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	6.822.980	6.345.090	36.807.153	1.721.311	3.056.761	1.092.246	20.081	55.865.622
Foreign Currency Deposits	20.486.286	14.924.449	53.057.717	1.775.228	5.318.165	3.180.646	1.781	98.744.272
Residents in Turkey	19.558.995	14.662.394	49.737.935	1.291.185	1.135.781	1.590.011	1.622	87.977.923
Residents Abroad	927.291	262.055	3.319.782	484.043	4.182.384	1.590.635	159	10.766.349
Public Sector Deposits	1.071.679	18.189	24.832	2.937	175	410	-	1.118.222
Commercial Deposits	6.767.674	5.804.222	6.575.839	247.305	153.440	306.084	-	19.854.564
Other Institutions Deposits	250.105	469.459	1.277.231	10.479	629.880	237.530	-	2.874.684
Precious metals Deposits	2.274.974	1.274	-	4.647	185.632	17.872	-	2.484.399
Interbank Deposits	1.477.434	1.476.165	3.737.561	301.072	457.058	-	-	7.449.290
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	10.485	1.438.256	81.704	6.275	342.171	-	-	1.878.891
Foreign Banks	112.726	37.909	3.655.857	294.797	114.887	-	-	4.216.176
Participation Banks	1.354.223	-	-	-	-	-	-	1.354.223
Other	-	-	-	-	-	-	-	-
Total	**39.151.132**	**29.038.848**	**101.480.333**	**4.062.979**	**9.801.111**	**4.834.788**	**21.862**	**188.391.053**

1 (ii). Prior period - 31 December 2017:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	8.420.445	15.472.883	32.001.233	492.256	646.290	637.816	33.627	57.704.550
Foreign Currency Deposits	14.213.272	20.401.859	33.793.676	2.139.009	5.715.390	2.902.640	1.760	79.167.606
Residents in Turkey	13.491.870	19.567.456	31.542.596	1.169.908	996.303	1.221.898	1.559	67.991.590
Residents Abroad	721.402	834.403	2.251.080	969.101	4.719.087	1.680.742	201	11.176.016
Public Sector Deposits	309.841	16.456	11.269	3.526	184	175	-	341.451
Commercial Deposits	9.232.735	7.603.171	11.902.838	242.478	802.779	283.133	-	30.067.134
Other Institutions Deposits	236.190	234.207	2.501.398	22.089	65.272	153.181	-	3.212.337
Precious metals Deposits	1.332.683	-	3.320	-	115.427	-	-	1.451.430
Interbank Deposits	1.163.106	3.869.188	5.910.179	1.424.671	561.893	30.904	-	12.959.941
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	16.512	3.594.148	192.524	6.134	-	-	-	3.809.318
Foreign Banks	352.114	275.040	5.717.655	1.418.537	561.893	30.904	-	8.356.143
Participation Banks	794.480	-	-	-	-	-	-	794.480
Other	-	-	-	-	-	-	-	-
Total	**34.908.272**	**47.597.764**	**86.123.913**	**4.324.029**	**7.907.235**	**4.007.849**	**35.387**	**184.904.449**

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2. Information on saving deposits insurance:

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

	Under the Guarantee of Deposit Insurance	Exceeding the Limit of Deposit Insurance
	Current Period 31 December 2018	**Current Period 31 December 2018**
Saving Deposits	23.246.737	32.618.885
Foreign Currency Saving Deposits	10.341.024	50.682.638
Other Deposits in the Form of Saving Deposits	1.256.207	1.034.751
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-

	Under the Guarantee of Deposit Insurance	Exceeding the Limit of Deposit Insurance
	Prior Period 31 December 2017	**Prior Period 31 December 2017**
Saving Deposits	24.508.782	33.195.768
Foreign Currency Saving Deposits	8.512.809	36.271.768
Other Deposits in the Form of Saving Deposits	736.725	594.201
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-

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

	Current Period 31 December 2018
Foreign Branches' Deposits and other accounts	375
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	1.208.455
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-

	Prior Period 31 December 2017
Foreign Branches' Deposits and other accounts	1.381
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	926.384
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-

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b. Information on trading derivative financial liabilities:

(i). Table of derivative financial liabilities (*):

	Current Period 31 December 2018	
	TL	FC
Forward Transactions	344.315	-
Swap Transactions	10.338.317	975.810
Futures Transactions	-	-
Options	2.892	606.511
Other	-	-
Total	**10.685.524**	**1.582.321**

(*) Excluding hedge transactions

(ii). Table of negative differences for trading derivative financial liabilities:

	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	454.410	-
Swap Transactions	3.720.136	1.103.494
Futures Transactions	-	-
Options	2.808	239.405
Other	-	-
Total	**4.177.354**	**1.342.899**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 31 December 2018	
	TL	FC
Borrowings from the CBRT	-	-
From Domestic Banks and Institutions	253.088	375.142
From Foreign Banks, Institutions and Funds	398.158	38.700.777
Total	**651.246**	**39.075.919**

	Prior Period 31 December 2017	
	TL	FC
Borrowings from the CBRT	-	474.031
From Domestic Banks and Institutions	235.654	356.043
From Foreign Banks, Institutions and Funds	-	28.606.052
Total	**235.654**	**29.436.126**

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2. Information on maturity structure of borrowings

	Current Period 31 December 2018	
	TL	FC
Short-term	253.088	1.515.561
Medium and Long-term	398.158	37.560.358
Total	**651.246**	**39.075.919**

	Prior Period 31 December 2017	
	TL	FC
Short-term	232.686	1.268.291
Medium and Long-term	2.968	28.167.835
Total	**235.654**	**29.436.126**

Securitized borrowings procured via A.R.T.S. Ltd. ("Structured Entity") which the Bank has 100% controlling power, are included in external funding sources of the Bank. Under the securitization program agreements, the Bank has sold foreign trade and customer receivables to A.R.T.S. Ltd.

3. The liabilities providing the funding sources of the Bank are deposits, borrowings, marketable securities issued and money market borrowings. Deposits are the most important funding source of the Bank and the diversification of these deposits by number and type of depositors with a stable structure does not create any risk concentration. The borrowings are composed of funds such as syndicated and securitized borrowings and post-financing obtained from different financial institutions with different maturity-interest structures and characteristics. There is no risk concentration in any of the funding sources of the Bank.

d. Information on securities issued (Net):

	Current Period 31 December 2018	
	TL	FC
Bank bills	2.042.561	-
Bonds	1.907.081	8.202.364
Total	**3.949.642**	**8.202.364**

	Prior Period 31 December 2017	
	TL	FC
Bank bills	3.783.736	-
Bonds	2.328.773	7.740.640
Total	**6.112.509**	**7.740.640**

e. Information on other foreign liabilities:

Other foreign liabilities listed in "Other Liabilities" amounting to TL 3.246.378 (31 December 2017: TL 1.101.637) and do not exceed 10% of the total balance sheet.

f. Information on financial leasing agreements:

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which cause significant commitments for the Bank.

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Liabilities incurred due to financial leasing agreements:

	Current Period 31 December 2018	
	Gross	**Net**
Less Than 1 Year	29.392	25.048
Between 1-4 Years	-	-
More Than 4 Years	-	-
Total	**29.392**	**25.048**

	Prior Period 31 December 2017	
	Gross	**Net**
Less Than 1 Year	7.504	5.899
Between 1-4 Years	-	-
More Than 4 Years	-	-
Total	**7.504**	**5.899**

g. Information on the hedging derivative financial liabilities:

	Current Period 31 December 2018	
	TL	**FC**
Fair Value Hedge	2.611	41.041
Cash Flow Hedge	644.958	-
Net Investment Hedge in a foreign operation	-	-
Total	**647.569**	**41.041**

	Prior Period 31 December 2017	
	TL	**FC**
Fair Value Hedge	-	74.911
Cash Flow Hedge	-	-
Net Investment Hedge in a foreign operation	-	-
Total	**-**	**74.911**

h. Information on provisions:

1. Information on reserves for employee rights:

Balance Sheet Obligations for:	**Current Period 31 December 2018**
- Post-employment benefits (pension and medical)	-
- Reserve for employment termination benefits	208.632
- Reserve for unused vacation	102.878
Total	**311.510**

Balance Sheet Obligations for:	**Prior Period 31 December 2017**
- Post-employment benefits (pension and medical)	-
- Reserve for employment termination benefits	204.276
- Reserve for unused vacation	85.851
Total	**290.127**

As explained in Note 1(ii) below, there is no liability that needs to be accounted under the balance sheet since the Fund's fair value compensates for defined benefit obligations.

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Income Statement Charge for:	**Current Period 31 December 2017**
- Post-employment benefits (pension and medical)	(232.880)
- Reserve for employment termination benefits	(68.105)
- Reserve for unused vacation	(17.026)
Total	**(318.011)**

Income Statement Charge for:	**Prior Period 31 December 2017**
- Post-employment benefits (pension and medical)	(204.575)
- Reserve for employment termination benefits	(45.215)
- Reserve for unused vacation	(8.228)
Total	**(258.018)**

The charge for the post-employment benefits represents the cash payments, which represent the employer's contribution determined by the Social Security Law no: 506 and additional 2% contribution of the employer. The employer's contribution amounting to TL 232.880 (31 December 2017: TL 204.575) during the year has been included in employee costs under operating expenses.

1. (i). Employment termination benefits and unused vacation rights:

According to Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The compensation amount equals to one month's salary of an employee for each year of service, but this amount is limited up to severance limit decided by law. This liability is not subject to any funding legally and there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current Period 31 December 2018
Discount Rate (%)	5,73
Rate for the Probability of Retirement (%)	94,45

	Prior Period 31 December 2017
Discount Rate (%)	4,00
Rate for the Probability of Retirement (%)	94,45

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of TL 6.017,60 (1 January 2018: TL 5.001,76) effective from 1 July 2019 has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits during the period are as follows:

	Current Period 31 December 2018
Prior Period Closing Balance	**204.276**
Recognized as an Expense During the Period	68.105
Actuarial Loss / (Gain)	(6.579)
Paid During the Period	(57.171)
Balance at the End of the Period	**208.631**

As of 31 December 2018, the Bank has allocated vacation liability amounting to TL 102.878

	Prior Period 31 December 2017
Prior Period Closing Balance	**141.764**
Recognized as an Expense During the Period	44.091
Actuarial Loss / (Gain)	53.168
Paid During the Period	(34.747)
Balance at the End of the Period	**204.276**

As of 31 December 2017, the Bank has allocated vacation liability amounting to TL 85.851.

1. (ii). Post-employment benefits:

The Bank's obligation in respect of the post-employment benefits transferrable to SSI, as explained in Note XVII of Section Three, has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Accordingly, as of 31 December 2018, the surplus of the Fund amounts to TL 6.194 (31 December 2017: TL 342.485).

	Current Period 31 December 2018
Total Obligations	(5.784.979)
Cash value of future contributions	4.163.438
Total Transfer Obligations to SSI	**(1.621.541)**
Past service obligation	(167.755)
Total Transfer to SSI and Other Obligations	**(1.789.296)**
Fair value of assets	(1.795.490)
Surplus	**6.194**

	Prior Period 31 December 2017
Total Liabilities	(4.979.328)
Cash value of future contributions	3.817.272
Total Transfer Obligations to SSI	**(1.162.056)**
Past service obligation	(182.305)
Total Transfer to SSI and Other Obligations	**(1.344.361)**
Fair value of assets	1.551.402
Surplus	**207.041**

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The amount of the post-employment medical benefits transferrable to SSI is calculated over discounted net present value of medical liabilities and health premiums.

The principal actuarial assumptions used were as follows:

Discount rate	Current Period 31 December 2018
- Pension benefits transferrable to SSI	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%
- Other non-transferrable benefits	5,73%

Discount rate	Prior Period 31 December 2017
- Pension benefits transferrable to SSI	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%
- Other non-transferrable benefits	4,21%

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

The movement in the fair value of plan assets of the year is as follows:

	Current Period 31 December 2018
Prior period end	**1.551.402**
Actual return on plan assets	338.869
Employer contributions	232.880
Employee contributions	199.473
Benefits paid	(527.133)
Period end	**1.795.491**

	Prior Period 31 December 2017
Prior period end	**1.394.112**
Actual return on plan assets	238.028
Employer contributions	204.575
Employee contributions	174.371
Benefits paid	(459.684)
Period end	**1.551.402**

Plan assets are comprised as follows:

	Current Period 31 December 2018	
Bank placements	1.160.797	65%
Property and equipment	17.975	1%
Marketable securities and share certificates	358.510	20%
Other	258.209	14%
Period end	**1.795.491**	**100%**

	Prior Period 31 December 2017	
Bank placements	977.331	63%
Property and equipment	18.242	1%
Marketable securities and share certificates	397.520	26%
Other	158.309	10%
Period end	**1.551.402**	**100%**

2 Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 December 2018, the Bank has no provision related to foreign currency differences of foreign indexed loans (31 December 2017: TL 24.016) and the related prior period amount is offset with the balance of foreign currency indexed loans.

3 Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:

Provision for non-cash loans that are non-funded and non-transformed into cash as of 31 December 2018 is amounting to TL 50.740 (31 December 2017: TL 67.754).

4 Information on other provisions:

4 (i). Information on free provision for possible risks: TL 550.000 (31 December 2017: TL 700.000).

A portion of free provision amounting to TL 250.000 thousand has been reversed, during the period ended 30 June 2018. Out of free provision of TL 100.000 thousand has been recognised in current period, TL 500.000 thousand had been recognised in year of 2017 and TL 200.000 thousand had been recognised in prior periods by the Bank management considering the possible effects of the circumstances that may arise from the changes in the economy and market conditions. The amount of free provision in the accompanying financial statements is TL 550.000 thousand as of 31 December 2018.

4 (ii). Information on provisions for banking services promotion:

The Bank has provisions for credit cards and banking services promotion activities amounting to TL 50.044 (31 December 2017: TL 69.284).

i. Explanations on tax liability:

1. Explanations on tax liability:

Tax calculations of the Bank are explained in Note XVII of Section Three. As of 31 December 2018, The Bank has no corporate tax liability after the deduction of temporary taxes (31 December 2017: TL 814.395). As of 31 December 2018 current tax asset is TL 262.217. (31 December 2017: None).

1 (i). Information on taxes payable:

	Current Period 31 December 2018
Corporate Taxes Payable	-
Taxation on Marketable Securities	165.369
Property Tax	1.983
Banking Insurance Transaction Tax (BITT)	196.929
Foreign Exchange Transaction Tax	-
Value Added Tax Payable	13.657
Other	121.816
Total	**499.754**

	Prior Period 31 December 2017
Corporate Taxes Payable	814.395
Taxation on Marketable Securities	145.567
Property Tax	1.811
Banking Insurance Transaction Tax (BITT)	124.886
Foreign Exchange Transaction Tax	-
Value Added Tax Payable	9.608
Other	86.743
Total	**1.183.010**

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1 (ii). Information on premium payables:

	Current Period 31 December 2018
Social Security Premiums – Employee	-
Social Security Premiums – Employer	1
Bank Social Aid Pension Fund Premium- Employee	3
Bank Social Aid Pension Fund Premium – Employer	3
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	1.423
Unemployment Insurance – Employer	2.847
Other	363
Total	**4.640**

	Prior Period 31 December 2017
Social Security Premiums – Employee	4
Social Security Premiums – Employer	14
Bank Social Aid Pension Fund Premium- Employee	109
Bank Social Aid Pension Fund Premium – Employer	150
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	2.094
Unemployment Insurance – Employer	4.187
Other	35
Total	**6.593**

2. Information on deferred tax liability:

As of 31 December 2018, Turkish Lira deferred tax liability of the Bank amounts to TL 283.695 (31 December 2017: TL 392.164). An explanation about the net deferred tax asset is given in Note I-n of Section Five.

j. Information on subordinated loan:

	Current Period 31 December 2018	
	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	-	4.784.477
Subordinated loans		-
Subordinated debt instruments	-	4.784.477
Total	**-**	**4.784.477**

	Prior Period 31 December 2017	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1.900.999
From Other Foreign Institutions	-	-
Total	**-**	**1.900.999**

Explanation about the subordinated loans is given in Note I-b of Section Four.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current Period 31 December 2018
Common Stock	4.000.000
Preferred Stock	-

	Prior Period 31 December 2017
Common Stock	4.000.000
Preferred Stock	-

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Share Capital	4.000.000	10.000.000

In the Ordinary General Assembly Meeting of the Bank, which was held on 28 March 2017, amendment to the articles of association regarding the increase of the upper limit of registered capital from TL 8.000.000 to TL 10.000.000 is accepted and the registration process has been completed as of 29 March 2017.

3. Information on the share capital increases during the period and their sources: None.
4. Information on share capital increases from capital reserves during the current period: None.
5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: None.
6. The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties at these indicators;

   The Bank has been continuing its operations with high profitability and has been retaining most of its net profit in the equity, either by increasing its capital or transferring it into reserves. On the other hand, only a small part of the equity is allocated to investment such as associates and fixed assets, thus giving a chance for considerably high free capital which provides funds for liquid and interest bearing assets. Considering all these factors, the Bank continues to its operations with strong shareholders' equity.
7. Information on privileges given to shares representing the capital: None.

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8. Information on marketable securities value increase fund:

	Current Period 31 December 2018	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures (*)	854.478	581.490
Valuation Difference	(1.769.593)	(1.141.797)
Foreign Currency Differences	-	1.624.806
Total	**(915.115)**	**1.064.499**

	Prior Period 31 December 2017	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures (*)	693.786	1.248.097
Valuation Difference	(600.631)	(176.503)
Foreign Currency Differences	-	-
Total	**93.155**	**1.071.594**

(*) Refers to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note of III of the Section Three.

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments: TL 15.158.299 asset purchase commitments (31 December 2017: TL 10.596.665), TL 19.788.847 commitments for credit card limits (31 December 2017: TL 18.431.137), TL 2.514.769 commitments for cheque books (31 December 2017: TL 6.679.928).

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

The Bank has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

	Current Period 31 December 2018
Bank Acceptance Loans	2.740.341
Letters of Credit	6.562.959
Other Guarantees and Warranties	8.977.106
Total	**18.280.406**

	Prior Period 31 December 2017
Bank Acceptance Loans	3.758.102
Letters of Credit	6.866.251
Other Guarantees and Warranties	6.917.341
Total	**17.541.694**

2 (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period 31 December 2018
Revocable Letters of Guarantee	1.015.501
Irrevocable Letters of Guarantee	20.344.230
Letters of Guarantee Given in Advance	2.723.574
Guarantees Given to Customs	2.094.996
Other Letters of Guarantee	8.878.849
Total	**35.057.150**

	Prior Period 31 December 2017
Revocable Letters of Guarantee	1.279.965
Irrevocable Letters of Guarantee	19.276.192
Letters of Guarantee Given in Advance	4.148.237
Guarantees Given to Customs	2.483.061
Other Letters of Guarantee	7.872.029
Total	**35.059.484**

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3. Information on non-cash loans:

3 (i). Total amount of non-cash loans:

	Current Period 31 December 2018
Non-cash Loans Given against Cash Loans	10.507.617
With Original Maturity of 1 Year or Less Than 1 Year	5.190.839
With Original Maturity of More Than 1 Year	5.316.778
Other Non-cash Loans	42.829.939
Total	**53.337.556**

	Prior Period 31 December 2017
Non-cash Loans Given against Cash Loans	7.958.951
With Original Maturity of 1 Year or Less Than 1 Year	3.949.119
With Original Maturity of More Than 1 Year	4.009.832
Other Non-cash Loans	44.642.227
Total	**52.601.178**

3 (ii). Information on sectoral risk concentrations of non-cash loans:

	Current Period 31 December 2018			
	TL	(%)	FC	(%)
Agricultural	23.433	0,11	6.801	0,02
Farming and Raising Livestock	1.020	0,00	-	-
Forestry	21.678	0,10	-	-
Fishing	735	0,00	6.801	0,02
Manufacturing	4.725.707	21,33	12.685.872	40,68
Mining	60.568	0,27	164.438	0,53
Production	3.412.643	15,41	11.151.343	35,76
Electric, Gas and Water	1.252.496	5,65	1.370.091	4,39
Construction	3.380.984	15,26	4.735.272	15,18
Services	13.301.520	60,05	10.925.029	35,03
Wholesale and Retail Trade	8.235.314	37,18	6.491.677	20,82
Hotel, Food and Beverage Services	130.842	0,59	130.856	0,42
Transportation and Telecommunication	448.191	2,02	446.583	1,43
Financial Institutions	4.222.399	19,06	3.646.654	11,69
Real Estate and Leasing Services	20.016	0,09	40.439	0,13
Self-Employment Services	20.135	0,09	4.620	0,01
Education Services	28.564	0,13	8.553	0,03
Health and Social Services	196.059	0,89	155.647	0,50
Other	718.865	3,25	2.834.073	9,09
Total	**22.150.509**	**100,00**	**31.187.047**	**100,00**

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	Prior Period 31 December 2017			
	TL	(%)	FC	(%)
Agricultural	21.092	0,09	4.087	0,01
Farming and Raising Livestock	2.708	0,01	-	-
Forestry	18.315	0,08	4.087	0,01
Fishing	69	-	-	-
Manufacturing	4.996.328	23,05	10.156.107	32,84
Mining	70.864	0,33	207.204	0,67
Production	3.840.158	17,71	9.029.452	29,20
Electric, Gas and Water	1.085.306	5,01	919.451	2,97
Construction	3.435.621	15,85	3.070.140	9,93
Services	12.287.679	56,68	12.143.399	39,28
Wholesale and Retail Trade	7.380.034	34,04	7.723.986	24,98
Hotel, Food and Beverage Services	125.106	0,58	113.685	0,37
Transportation and Telecommunication	416.071	1,92	424.623	1,37
Financial Institutions	4.028.333	18,58	3.721.885	12,04
Real Estate and Leasing Services	7.489	0,03	28.207	0,09
Self-Employment Services	20.890	0,10	5.078	0,02
Education Services	32.167	0,15	15.056	0,05
Health and Social Services	277.589	1,28	110.879	0,36
Other	938.496	4,33	5.548.229	17,94
Total	**21.679.216**	**100,00**	**30.921.962**	**100,00**

3 (iii). Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	**20.782.880**	**30.046.328**	**1.367.629**	**1.140.719**
Letters of Guarantee	17.944.449	14.734.983	1.327.910	1.049.808
Bank Acceptances	-	2.740.341	-	-
Letters of Credit	47.035	6.426.633	-	89.291
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	24.353	-	-
Other Commitments and Contingencies	2.791.396	6.120.018	39.719	1.620

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b. Information on derivative transactions:

	Current Period 31 December 2018
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions (I)	364.299.428
FC Trading Forward Transactions	28.251.475
Trading Swap Transactions	279.960.704
Futures Transactions	-
Trading Option Transactions	56.087.249
Interest Related Derivative Transactions (II)	157.104.278
Forward Interest Rate Agreements	-
Interest Rate Swaps	137.692.000
Interest Rate Options	19.412.278
Interest Rate Futures	-
Other Trading Derivative Transactions (III)	25.036.577
A. Total Trading Derivative Transactions (I+II+III)	546.440.283
Types of Hedging Transactions	
Fair Value Hedges	21.168.037
Cash Flow Hedges	40.895.518
Foreign Currency Investment Hedges	-
B. Total Hedging Related Derivatives	62.063.555
Total Derivative Transactions (A+B)	**608.503.838**

	Prior Period 31 December 2017
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions (I)	288.447.344
FC Trading Forward Transactions	30.187.903
Trading Swap Transactions	218.488.182
Futures Transactions	-
Trading Option Transactions	39.771.259
Interest Related Derivative Transactions (II)	153.664.448
Forward Interest Rate Agreements	-
Interest Rate Swaps	92.830.124
Interest Rate Options	60.834.324
Interest Rate Futures	-
Other Trading Derivative Transactions (III)	14.849.056
A. Total Trading Derivative Transactions (I+II+III)	456.960.848
Types of Hedging Transactions	
Fair Value Hedges	15.057.711
Cash Flow Hedges	14.353.012
Foreign Currency Investment Hedges	-
B. Total Hedging Related Derivatives	29.410.723
Total Derivative Transactions (A+B)	**486.371.571**

c. Explanations on credit derivatives and risks beared due to these:

As of 31 December 2018, tha Bank has credit default swap of TL 5.943.800 (31 December 2017: None).

d. Explanations on contingent assets and liabilities:

1. Contingent Liabilities:

The Bank has accounted a provision amounting to TL 52.249 (31 December 2017: TL 60.831) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

2. Contingent Assets:

None.

e. Explanations on the activities carried out on behalf and account of other persons:

The policy is explained on note IX in Section Four.

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans (*):

	Current Period 31 December 2018	
	TL	FC
Short-term Loans	9.331.145	244.314
Medium and Long-term Loans	11.122.865	3.906.326
Interest on Loans Under Follow-Up	637.380	-
Premiums Received from the Resource Utilization Support Fund	-	-
Total	**21.091.390**	**4.150.640**

	Prior Period 31 December 2017	
	TL	FC
Short-term Loans	5.383.202	92.002
Medium and Long-term Loans	10.097.958	2.814.898
Interest on Loans Under Follow-Up	35.824	-
Premiums Received from the Resource Utilization Support Fund	-	-
Total	**15.516.984**	**2.906.900**

(*) Fee and commission income from cash loans are included.

2. Information on interest income on banks:

	Current Period 31 December 2018	
	TL	FC
From the CBRT	222.229	1.673
From Domestic Banks	60.621	18.550
From Foreign Banks	44.477	349.267
From Headquarters and Branches Abroad	-	-
Total	**327.327**	**369.490**

	Prior Period 31 December 2017	
	TL	FC
From the CBRT	111.157	1.458
From Domestic Banks	19.509	15.608
From Foreign Banks	5.779	69.103
From Headquarters and Branches Abroad	-	-
Total	**136.445**	**86.169**

3. Information on interest income on marketable securities:

	Current Period 31 December 2018	
	TL	FC
From Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	4.669.923	837.011
Financial Assets Measured at Amortised Cost	1.100.786	293.674
Total	**5.770.709**	**1.130.685**

	Prior Period 31 December 2017	
	TL	FC
From Trading Financial Assets	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-
From Available-for-sale Financial Assets	2.421.860	644.092
From Held-to-Maturity Investments	643.676	438.987
Total	**3.065.536**	**1.083.079**

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

	Current Period 31 December 2018
Interests Received From Investments in Associates and Subsidiaries	38.840

	Prior Period 31 December 2017
Interests Received From Investments in Associates and Subsidiaries	37.886

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b. Information on interest expense:

1. Information of interest expense on borrowings (*):

	Current Period 31 December 2018	
	TL	FC
Banks	62.052	1.295.977
The CBRT	-	-
Domestic Banks	17.240	8.073
Foreign Banks	44.812	1.287.904
Headquarters and Branches Abroad	-	-
Other Institutions	-	141.416
Total	**62.052**	**1.437.393**

	Prior Period 31 December 2017	
	TL	FC
Banks	13.470	676.557
The CBRT	-	-
Domestic Banks	12.685	4.538
Foreign Banks	785	672.019
Headquarters and Branches Abroad	-	-
Other Institutions	-	73.698
Total	**13.470**	**750.255**

(*) Fee and commission expense from cash loans are included.

2. Information on interest expense given to associates and subsidiaries:

	Current Period 31 December 2018
To Associates and Subsidiaries	63.688

	Prior Period 31 December 2017
To Associates and Subsidiaries	72.597

3. Information on interest expense given to securities issued:

	Current Period 31 December 2018	
	TL	FC
Interest expense on securities issued	700.228	677.657

	Prior Period 31 December 2017	
	TL	FC
Interest expense on securities issued	349.524	528.287

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4. Maturity structure of the interest expense on deposits:

There are no seven-day notification deposits.

		Time Deposits					
Current Period- 31.12.2018	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**1 Year and Over**	**Total**
TL							
Bank Deposits	18.990	231.687	37.747	8.159	4.149	-	**300.732**
Saving Deposits	-	1.441.959	5.843.666	119.559	151.457	95.007	**7.651.648**
Public Sector Deposits	-	6.022	2.890	273	8	45	**9.238**
Commercial Deposits	-	1.016.865	1.730.627	72.544	49.464	71.300	**2.940.800**
Other Deposits	4	65.553	276.323	23.291	27.653	35.143	**427.967**
Total	**18.994**	**2.762.086**	**7.891.253**	**223.826**	**232.731**	**201.495**	**11.330.385**
FC							
Foreign Currency Deposits	-	521.289	2.057.057	90.111	252.711	58.574	**2.979.742**
Bank Deposits	567	32.337	130.564	16.835	11.653	313	**192.269**
Precious Metals Deposits	-	1	180	23	1.636	640	**2.480**
Total	**567**	**553.627**	**2.187.801**	**106.969**	**266.000**	**59.527**	**3.174.491**
Grand Total	**19.561**	**3.315.713**	**10.079.054**	**330.795**	**498.731**	**261.022**	**14.504.876**

		Time Deposits					
Prior Period – 31.12.2017	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**1 Year and Over**	**Total**
TL							
Bank Deposits	1.281	130.602	108.071	4.284	258	76	**244.572**
Saving Deposits	-	1.687.188	3.357.899	62.494	59.565	69.099	**5.236.245**
Public Sector Deposits	-	9.937	3.135	477	85	5	**13.639**
Commercial Deposits	-	904.076	1.315.840	103.765	101.197	59.008	**2.483.886**
Other Deposits	5	62.938	237.709	44.220	110.951	24.024	**479.847**
Total	**1.286**	**2.794.741**	**5.022.654**	**215.240**	**272.056**	**152.212**	**8.458.189**
FC	285	522.005	879.456	131.686	91.353	53.638	**1.678.423**
Foreign Currency Deposits	-	493.452	818.716	114.751	82.989	52.743	**1.562.651**
Bank Deposits	285	28.553	60.735	16.935	7.446	520	**114.474**
Precious Metals Deposits	-	-	5	-	918	375	**1.298**
Total	**285**	**522.005**	**879.456**	**131.686**	**91.353**	**53.638**	**1.678.423**
Grand Total	**1.571**	**3.316.746**	**5.902.110**	**346.926**	**363.409**	**205.850**	**10.136.612**

c. Information on dividend income:

	Current Period 31 December 2018
From Financial Assets at Fair Value Through Profit or Loss	-
From Financial Assets at Fair Value Through Other Comprehensive Income	1.755
Other	2.846
Total	**4.601**

	Prior Period 31 December 2017
From Trading Financial Assets	-
From Financial Assets at Fair Value Through Profit or Loss	-
From Available-for-Sale Financial Assets	345
Other	1.477
Total	**1.822**

d. Information on trading profit/loss (Net):

	Current Period 31 December 2017
Profit	**1.442.795.172**
Income From Capital Market Transactions	542.691
Income From Derivative Financial Transactions (*)	30.432.004
Foreign Exchange Gains	1.411.820.477
Loss (-)	**1.443.130.761**
Loss from Capital Market Transactions	1.648.297
Loss from Derivative Financial Transactions (*)	25.380.430
Foreign Exchange Loss	1.416.102.034
Total (Net)	**(335.589)**

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL 2.809.149.

	Prior Period 31 December 2017
Profit	**603.197.823**
Income From Capital Market Transactions	417.772
Income From Derivative Financial Transactions (*)	13.644.861
Foreign Exchange Gains	589.135.190
Loss (-)	**603.625.557**
Loss from Capital Market Transactions	225.480
Loss from Derivative Financial Transactions (*)	14.583.823
Foreign Exchange Loss	588.816.254
Total (Net)	**(427.734)**

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL (160.886).

e. Explanations on other operating income:

Other Operating Income" in the Income Statement mainly includes collections from receivables for which provision has been allocated in prior periods and provisions that have been set aside in prior periods and reversed in the current year with the sale from non-performing loans portfolio.

f. Provision expenses related to loans and other receivables of the Bank:

e. (i) Expected provision expenses:

	Current Period 31 December 2018
Expected Credit Loss	6.367.623
12 month expected credit loss (stage 1)	135.542
Significant increase in credit risk (stage 2)	347.115
Non-performing loans (stage 3)	5.884.966
Marketable Securities Impairment Expense	382
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets	
Financial Assets at Fair Value Through Other Comprehensive Income	382
Investments in Associates, Subsidiaries Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	102.538
Total	**6.470.543**

e. (ii) Provision expenses related to loans and other receivables of the Bank:

	Prior Period 31 December 2017
Specific Provisions for Loans and Other Receivables	1.545.676
III. Group Loans and Receivables	580.052
IV. Group Loans and Receivables	651.253
V. Group Loans and Receivables	314.371
General Provision Expenses	230.486
Free Provision Expense for Possible Risks	500.000
Marketable Securities Impairment Expense	13
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets	13
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-maturity Investments	-
Other	37.057
Total	**2.313.232**

g. Information related to other operating expenses:

	Current Period 31 December 2018
Personnel Expenses(*)	2.123.197
Reserve for Employee Termination Benefits	10.936
Bank Social Aid Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	181.736
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	169.533
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Resale	82
Depreciation Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	2.413.939
Operational Leasing Expenses	230.043
Maintenance Expenses	60.102
Advertisement Expenses	120.903
Other Expenses	2.002.891
Loss on Sales of Assets	413
Other (*)	629.810
Total	**5.529.646**

(*) Includes "Personnel Expenses" which is not exist in "Other Operating Expenses" in the Income Statement.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
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	Prior Period 31 December 2017
Personnel Expenses	1.859.304
Reserve for Employee Termination Benefits	9.343
Bank Social Aid Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	1.473
Depreciation Expenses of Fixed Assets	151.847
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	119.344
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Resale	160
Depreciation Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	1.936.038
Operational Leasing Expenses	197.515
Maintenance Expenses	30.829
Advertisement Expenses	135.836
Other Expenses	1.571.858
Loss on Sales of Assets	731
Other	583.369
Total	**4.661.609**

h. Information on profit/(loss) from continued and discontinued operations before tax:

The Bank's income before tax consists of net interest income amounting to TL 14.566.128, net fees and commission income amounting to TL 3.450.047 and the amount of other operating expense is TL 5.529.646.

The Bank has no discontinued operations.

i. Information on tax provision of continued and discontinued operations:

As of 31 December 20187, the Bank has a current tax expense of TL 818.761, deferred tax expense of TL 967.998 and deferred tax income of TL 500.547.

The Bank has no discontinued operations.

j. Explanations on current period net profit and loss of continued and discontinued operations:

Net profit of the Bank is TL 5.689.644 (31 December 2017: 6.039.069)

The Bank has no discontinued operations.

k. Explanations on current period net profit and loss:

1. Explanation on the quality, amount and frequency of the figures of the income and expense stemming from ordinary banking operations, if necessary to understand the performance of the Bank for the current period: None.
2. Explanation on the changes in the estimations regarding the figures on the financial statements, if there is a possibility that the profit and loss for the current or the following periods will be impacted: None.

l. Other figures on profit and loss statement:

"Other Fee and Commission Income" in the Income Statement mainly consists of commissions received from credit card, money transfer and insurance transactions.

V. EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

a. Information on distribution of profit:

The Ordinary General Assembly Meeting of the Bank was held on 26 March 2018. In the Ordinary General Assembly, it was decided to distribute a TL 1.600.000 cash dividend over the TL 6.039.069 net income from 2017 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 7.123 to special funds account under other capital reserves, to allocate TL 140.000 as legal and TL 4.291.946 as extraordinary reserves.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

b. Information on hedge funds:

Information on cash flow hedge:

Due to facts described in "Explanations of Hedging Transactions" section in Note XI of Section Four, there are discontinued hedge accounting transactions. As of 31 December 2018, the fair value change of the hedging instrument since the beginning of hedge accounting left after amortization has been reflected to profit/loss accounts that is shown under "hedging funds" in equity is TL 7.263 (31 December 2017: TL (15.886)).

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

"Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets at fair value through other comprehensive income are not recognized in current year income statements; they are recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are sold, disposed of or impaired.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalents:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency, money in transit, bought bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months and investment in marketable securities excluding equity securities are defined as "Cash equivalents".

1. Current Period – 31 December 2018

1. (i) Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2018
Cash	**4.266.470**
Cash, Foreign Currency and Other	2.205.222
Demand Deposits in Banks (*)	2.061.248
Cash Equivalents	**6.668.762**
Interbank Money Market Placements	1.544.270
Time Deposits in Banks	5.117.991
Marketable Securities	6.501
Total Cash and Cash Equivalents	**10.935.232**

1. (ii) Cash and cash equivalents at the end of the period:

	Current Period 31 December 2018
Cash	**10.245.590**
Cash, Foreign Currency and Other	3.622.525
Demand Deposits in Banks (*)	6.623.065
Cash Equivalents	**7.234.609**
Interbank Money Market Placements	537.746
Time Deposits in Banks	6.689.000
Marketable Securities	7.862
Total Cash and Cash Equivalents	**17.480.199**

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

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2. Prior Period- 31 December 2017

2.(i) Cash and cash equivalents at the beginning of period:

	Prior Period 31 December 2017
Cash	**3.323.769**
Cash, Foreign Currency and Other	1.835.542
Demand Deposits in Banks (*)	1.488.227
Cash Equivalents	**9.090.155**
Interbank Money Market Placements	-
Time Deposits in Banks	9.043.415
Marketable Securities	46.740
Total Cash and Cash Equivalents	**12.413.924**

2. (ii) Cash and cash equivalents at the end of the period:

	Prior Period 31 December 2017
Cash	**4.266.470**
Cash, Foreign Currency and Other	2.205.222
Demand Deposits in Banks (*)	2.061.248
Cash Equivalents	**6.668.762**
Interbank Money Market Placements	1.544.270
Time Deposits in Banks	5.117.991
Marketable Securities	6.501
Total Cash and Cash Equivalents	**10.935.232**

(*) The restricted demand accounts are not included.

b. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (6.990.731) (31 December 2017: TL (1.970.712) TL) consists mainly of items such as fees and commissions paid, other operating income excluding income from doubtful receivables, other operating expense excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (12.109.263) (31 December 2017: TL 2.514.600 TL) consists mainly of changes in miscellaneous payables and other liabilities.

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the three months periods, and amounts to TL 4.232.846 (31 December 2017: TL 685.422).

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP

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

1. Current Period – 31 December 2018:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	346.273	274.819	5.560.592	923.699	-	-
Balance at the End of the Period	291.767	410.809	5.281.095	1.074.561	10.973	7.684
Interest and Commission Income Received	38.840	202	512.592	7.893	651	42

According to the German deposit insurance law, the Bank has given a "letter of undertaking" to the German Banking Institute related to Akbank AG, a subsidiary of the Bank. This letter of undertaking amounts to TL 10.613.539 as of 31 December 2018.

2. Prior Period - 31 December 2017:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	414.469	254.251	4.529.001	900.600	-	-
Balance at the End of the Period	346.273	274.819	5.560.592	923.699	-	-
Interest and Commission Income Received	37.886	107	486.601	3.633	-	-

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

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures	Direct and Indirect Shareholders of the Bank	Other Real and Legal Persons that have been included in the Risk Group
	Current Period 31.12.2018	Current Period 31.12.2018	Current Period 31.12.2018
Balance at the Beginning of the Period	836.532	3.074.694	2.311.399
Balance at the End of the Period	417.786	5.011.285	1.228.947
Interest expense on Deposits	63.688	506.095	108.540

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures	Direct and Indirect Shareholders of the Bank	Other Real and Legal Persons that have been included in the Risk Group
	Prior Period 31.12.2017	Prior Period 31.12.2017	Prior Period 31.12.2017
Balance at the Beginning of the Period	730.658	2.172.759	2.315.646
Balance at the End of the Period	836.532	3.074.694	2.311.399
Interest expense on Deposits	72.597	216.544	188.295

4. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships	Direct and Indirect Shareholders of the Bank	Other Real and Legal Persons that have been included in the Risk Group
	Current Period 31.12.2018	Current Period 31.12.2018	Current Period 31.12.2018
Transactions at Fair Value Through Profit or Loss			
Beginning of the Period	3.501.130	13.638.708	-
Balance at the End of the Period	3.860.965	10.451.000	-
Total income/loss	15.592	42.206	-
Transactions for Hedging Purposes			
Beginning of the Period	-	-	-
Balance at the End of the Period	-	-	-
Total Income/Loss	-	-	-

Figures presented in the table above show the total of "sale" and "purchase" amounts of related transactions. Due to the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Bank. As of 31 December 2018, the net exposure for investments in associates and subsidiaries is TL 184.140. For direct and indirect shareholders of the Bank TL (303.581).

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships	Direct and Indirect Shareholders of the Bank	Other Real and Legal Persons that have been included in the Risk Group
	Prior Period 31.12.2017	Prior Period 31.12.2017	Prior Period 31.12.2017
Transactions at Fair Value Through Profit or Loss			
Beginning of the Period	2.477.406	10.110.973	-
Balance at the End of the Period	3.501.130	13.638.708	-
Total income/loss	(9.050)	(35.253)	-
Transactions for Hedging Purposes			
Beginning of the Period	-	-	-
Balance at the End of the Period	-	-	-
Total Income/Loss	-	-	-

Figures presented in the table above show the total of "sale" and "purchase" amounts of related transactions. Due to the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Bank. As of 31 December 2017, the net exposure for investments in associates and subsidiaries is TL 29.021. For direct and indirect shareholders of the Bank TL (153.254).

5. Information regarding benefits provided to the Bank's key management:

As of 31 December 2018 benefits provided to the Bank's key management amounting to TL 51.555 (31 December 2017: TL 31.815).

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

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VIII. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the domestic and foreign branches and representatives of the bank:

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branches	780	13.354			
Foreign Representation Office	-	-	-		
Foreign Branch	-	-	-	-	-
Off-shore Banking Region Branches	1	13	Malta	47.749.451	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure: In 2018, the Bank has opened 2 domestic branches and closed up 22 domestic branches.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX
OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

The application to Capital Markets Board for increasing the Akbank's paid-in-capital by TL 1.200.000.000 (full amount of TL) from TL 4.000.000.000 (full amount of TL) to TL 5.200.000.000 (full amount of TL) has been approved by the board in the meeting dated 27.12.2018 numbered 65/1535. Related approval has been publicly announced in the Board Weekly Bulletin numbered 2018/59.

- Within the framework of our bank's capital increase via rights issue of TL 2,5 for each share with nominal value of TL 1 between 03.01.2019 – 17.01.2019; a total fund inflow amounting to TL 3.005.741.611,22 (full TL amount) has been received, consisting of TL 2.996.306.795,62 (full TL amount) received during the period of exercising the pre-emptive rights to purchase new shares and TL 9.434.815,60 (full TL amount) received during the sale of remaining shares at the Primary Market of Borsa Istanbul on 22 January 2019.
- Applications have been made to the Capital Markets Board and the Banking Regulation and Supervision Agency for necessary approvals regarding the completion of the capital increase.
- Following the related approvals, capital increase process will be finalized by executing registering and announcement procedures.

SECTION SEVEN
EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements for the period ended 31 December 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The audit report dated 31 January 2019 is presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

AKBANK T.A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Convenience translation of publicly announced consolidated financial statements, related disclosures and independent auditor's report originally issued in Turkish, See Note. I.b of Section three)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akbank T.A.Ş.

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of Akbank T.A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2018, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Qualified Opinion

As explained in Section Five Part II h.4 (i) of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements; a portion of free provision amounting to TL 150.000 thousand on net basis has been reversed in the current year, out of total free provision of TL 700.000 thousand provided in the prior years by the Bank Management considering the possible effect of the circumstances that may arise from the changes in the economy and market conditions. The amount of free provision in the accompanying consolidated financial statements is TL 550.000 thousand as at 31 December 2018.

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters

Impairment of loans and receivables in accordance with TFRS 9

The Group has total provision for impairment of TL 8.482.446 thousands in respect to loans and receivables of TL 222.419.190 thousands which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans and receivables are presented section III part VII-e, section III part VIII, section V part I-f and section V part II-h in the accompanying consolidated financial statements as at 31 December 2018.

As of 1 January 2018 the Group started to recognize provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). TFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred.

Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.

How Our Audit Addressed the Key Audit Matter

Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures.

Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default.

We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.

In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Group management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.

We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loan and receivables and related impairment provision.

Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
First time adaptation of TFRS 9 Financial Instruments Standard	
TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 and adapted by the Group in the same period is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 replaces TAS 39 Financial Instruments: recognition and measurement of financial instruments. TFRS 9 has three phases as follow: Phase 1 - classification and measurement of financial assets and financial liabilities; Phase 2 - Impairment methodology; Phase 3 - Hedge accounting. Disclosures with respect to first time adaptation of TFRS 9 and the differences between previously reported carrying amounts and new carrying amounts of financial instruments are made in section III part XXIX. in the accompanying consolidated financial statements. The application of expected credit loss model with respect to changes arising as part of TFRS 9 adaptation is explained in the above paragraph on impairment of loans and receivables in accordance with TFRS 9. The Group continued to apply TAS 39 with respect to hedge accounting requirements. The application of TFRS 9 resulted into changes in previously reported carrying amounts and the related accounting policies. Therefore, this area is considered as key audit matter. #	With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following: We have read the Group's TFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9; We obtained an understanding and checked the Group's business model assessment and the test on the contractual cash flows, which give rise to cash flows that are "solely payments of principal and interest" (SPPI test). We checked the appropriateness of the opening balance adjustments and the related disclosures. With respect to impairment, using expected credit loss model, our work plan is described in the above paragraph with respect to How Our Audit Addressed the Key Audit Matter for impairment of loans and receivables in accordance with TFRS 9.
Valuation of Pension Fund Obligations	
Explanations on Valuation of Pension Obligations are presented in the section III part XVII-b in the accompanying consolidated financial statements as at 31 December 2018. The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as discount rates, salary increases, demographic assumptions used in the valuation of pension obligations with respect to social benefits and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability. In addition to the above procedures we have reviewed disclosures made with respect to pension fund. #

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Talar Gül, SMMM
Partner

Istanbul, 31 January 2019

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS, RELATED DISCLOSURES ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

THE CONSOLIDATED FINANCIAL REPORT OF AKBANK T.A.Ş. AS OF 31 DECEMBER 2018

Address : Sabancı Center 34330, 4. Levent / İstanbul
Telephone : (0 212) 385 55 55
Fax : (0 212) 319 52 52
Website : www.akbank.com
E-mail : http://www.akbank.com/tr-tr/genel/Sayfalar/Iletisim-Formu.aspx

The consolidated financial report, prepared in accordance with "Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below.

- **Section One** - GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** - CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** - EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** - INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** - INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** - OTHER EXPLANATIONS
- **Section Seven** - INDEPENDENT AUDITOR'S REPORT

Investments in associates, joint ventures and subsidiaries whose financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Investments in Associates	Joint Ventures
1.	Ak Finansal Kiralama A.Ş.	-	-
2.	Ak Yatırım Menkul Değerler A.Ş.	-	-
3.	Ak Portföy Yönetimi A.Ş.	-	-
4.	Akbank AG	-	-
5.	AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.	-	-

A.R.T.S. Ltd., which is not subsidiary of the Bank but over which the Bank has 100% controlling power, has been included in the consolidation due to the reason that this company is "Structured Entity".

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

31 January 2019

Suzan SABANCI DİNÇER	Hayri ÇULHACI	Ş.Yaman TÖRÜNER	S. Hakan BİNBAŞGİL	Türker TUNALI	Zeynep TERZİOĞLU
Chairman of the Board of Directors	Head of the Audit Committee	Member of the Audit Committee	CEO	Executive Vice President	Senior Vice President

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

Name-Surname / Title : Zeynep TERZİOĞLU / Senior Vice President
Phone No : (0 212) 385 55 55
Fax No : (0 212) 325 12 31

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION ABOUT THE BANK

I. BANK'S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS:

Akbank T.A.Ş. ("the Bank", "the Parent Bank" or "Akbank") was established on 30 January 1948 as a private commercial bank, in accordance with the decision of the Council of Ministers, No.3/6710 and is authorized to perform all economic, financial and commercial activities, which are allowed by the laws of the Turkish Republic ("T.C."). The status of the Bank has not changed since its foundation.

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

The Bank's shares have been quoted on the Borsa Istanbul (''BIST'') since 1990. In 1998, 4,03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipts ("ADRs"). As of 31 December 2018, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2017: 51%).

The major shareholder of the Parent Bank, directly or indirectly, is Sabancı Group.

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITY:

Title	Name	Responsibility	Education
Chairman:	Suzan SABANCI DİNÇER	Chairman and Executive Board Member	Graduate
Board of Directors:	Hayri ÇULHACI	Vice Chairman and Executive Board Member	Graduate
	A. Fuat AYLA	Executive Board Member	Undergraduate
	Ş. Yaman TÖRÜNER	Board Member	Undergraduate
	A. Aykut DEMİRAY	Board Member	Undergraduate
	I. Aydın GÜNTER	Board Member	Undergraduate
	Emre DERMAN	Board Member	Graduate
	Can PAKER	Board Member	PhD
	K. Özgür Demirtaş	Board Member	PhD
	S. Hakan BİNBAŞGİL	Board Member and CEO	Graduate
President and CEO:	S. Hakan BİNBAŞGİL	CEO	Graduate
Head of Internal Audit:	Eyüp ENGİN	Head of Internal Audit	Undergraduate
Executive Vice Presidents:	Bülent OĞUZ	Retail Banking	Graduate
	H.Burcu CİVELEK YÜCE	Human Resources and Strategy	Graduate
	Ege GÜLTEKİN	Credit Monitoring and Follow-up	Graduate
	Levent ÇELEBİOĞLU	Corporate and Investment Banking	Undergraduate
	Emin Tolga ULUTAŞ	Direct Banking	Graduate
	N. İlker ALTINTAŞ	Technology and Operation	PhD
	Mehmet Hakan TUGAL	Commercial Banking	Graduate
	Türker TUNALI	Financial Coordination	Undergraduate
	Şahin Alp KELER	Private Banking and Wealth Management	PhD
	Yunus Emre ÖZBEN	Credit Allocation	Graduate
	Zeynep ÖZTÜRK	Special Credits	Graduate
	Gamze Şebnem MURATOĞLU	Treasury	Graduate
Internal Audit Committee:	Hayri ÇULHACI	Head of the Audit Committee	Graduate
	Ş. Yaman TÖRÜNER	Member of the Audit Committee	Undergraduate

The shares of individuals above are insignificant in the Parent Bank.

In the Ordinary General Assembly Meeting of the Bank held on 26 March 2018, Kemal Özgür Demirtaş has been assigned as a new member of the Bank's new Board of Directors, instead of Erol Sabancı.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Yunus Emre Özben has been assigned on 28 August 2018 as Executive Vice President responsible of Credit Allocation Unit instead of Hasan Recai Arabacı who has resigned from his position on 14 August 2018.

As of 22 November 2018, Consumer Banking Unit's Executive Vice President Arif Özer İsfendiyaroğlu has resigned from his positions. Consumer Banking has merged with SME Banking Unit and is continuing its operations as Retail Banking Business Unit as of the same date. Bülent Oğuz, Executive Vice President of SME Banking, has been assigned as the Executive Vice President in charge of Retail Banking Business Unit.

As of 4 January 2019, Zeynep Öztürk has been assigned as Executive Vice President to the newly established Special Credits Unit.

As of 8 January 2019, Gamze Şebnem Muratoğlu has been assigned as Executive Vice President responsible of Treasury Business Unit instead of Ali Batu Karaali had resigned from his position on 7 January 2019.

IV. INFORMATION ON THE INDIVIDUAL AND CORPORATE SHAREHOLDERS HAVING CONTROL SHARES OF THE BANK:

Name/Commercial Title	Share Amounts (Nominal)	Share Percentages	Paid-in Capital (Nominal)	Unpaid Portion
Hacı Ömer Sabancı Holding A.Ş.	1.630.021	40,75 %	1.630.021	-

V. INFORMATION ON THE BANK'S SERVICE TYPES AND FIELDS OF OPERATION:

The Bank's core business activities consist of retail banking, commercial banking, corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (treasury transactions) and international banking services. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. via it's branch network. As of 31 December 2018, the Bank has 780 branches dispersed throughout the country and 1 branch operating abroad (31 December 2017: 800 branches and 1 branch operating abroad). As of 31 December 2018, the Bank the Bank has 13.367 employees (31 December 2017: 13.884).

The Parent Bank and its subsidiaries, Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş., AK Portföy Yönetimi A.Ş., Akbank AG, AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but over which the Bank has 100% controlling power due to the reason that this company is a "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group" in these consolidated financial statements and notes to consolidated financial statements.

As at 31 December 2018, the Group employed 13.757 people (31 December 2017: 14.253).

VI. A SHORT EXPLANATION ON THE DIFFERENCES BETWEEN THE COMMUNIQUE ON CONSOLIDATED FINANCIAL STATEMENT REPORTING AND THE CONSOLIDATION PROCEDURES REQUIRED BY TURKISH ACCOUNTING STANDARDS AND ABOUT INSTITUTIONS THAT ARE SUBJECT TO FULL CONSOLIDATION, PROPORTIONAL CONSOLIDATION, BY WAY OF DEDUCTION FROM CAPITAL OR THOSE THAT ARE SUBJECT TO NONE:

The Bank sees no difference between the Communiqué on Consolidated Financial Reporting and the consolidation procedures required by Turkish Accounting Standards. Information in regards to consolidated subsidiaries and consolidation methods are given in Section III. Note III.

VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF CAPITAL BETWEEN PARENT BANK AND ITS SUBSIDIARIES AND REPAYMENT OF DEBTS:

None

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SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

AKBANK T.A.Ş.
I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018 (STATEMENT OF FINANCIAL POSITION)
(Amounts are expressed in thousands of Turkish Lira (TL).)

	ASSETS	Note (Section Five)	CURRENT PERIOD (31/12/2018)		
			TL	FC	Total
I.	FINANCIAL ASSETS (NET)		52,320,991	76,636,712	128,957,703
1.1	Cash and Cash Equivalents		4,742,823	44,875,056	49,617,879
1.1.1	Cash and Balances with Central Bank	(I-a)	4,725,334	25,388,490	30,113,824
1.1.2	Banks	(I-d)	12,206	18,947,192	18,959,398
1.1.3	Money Markets		5,283	539,374	544,657
1.2	Financial Assets at Fair Value Through Profit or Loss	(I-b)	41,355	137,461	178,816
1.2.1	Government Debt Securities		10,113	-	10,113
1.2.2	Equity Instruments		13,223	137,461	150,684
1.2.3	Other Financial Assets		18,019	-	18,019
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(I-e)	24,621,916	19,718,126	44,340,042
1.3.1	Government Debt Securities		23,928,005	12,574,559	36,502,564
1.3.2	Equity Instruments		13,013	607	13,620
1.3.3	Other Financial Assets		680,898	7,142,960	7,823,858
1.4	Financial Assets Measured at Amortised Cost	(I-g)	5,942,844	6,320,637	12,263,481
1.4.1	Government Debt Securities		5,942,844	3,811,339	9,754,183
1.4.2	Other Financial Assets		-	2,509,298	2,509,298
1.5	Derivative Financial Assets	(I-c, I-l)	16,976,630	5,629,273	22,605,903
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		15,240,691	5,375,604	20,616,295
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,735,939	253,669	1,989,608
1.6	Non-Performing Financial Assets		-	-	-
1.7	Expected Loss Provision (-)		4,577	43,841	48,418
II.	LOANS (NET)	(I-f)	121,861,524	92,075,220	213,936,744
2.1	Loans		119,460,647	88,704,386	208,165,033
2.1.1	Measured at Amortised Cost		119,460,647	82,014,178	201,474,825
2.1.2	Fair Value Through Profit or Loss		-	6,690,208	6,690,208
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(I-k)	1,284,651	4,530,478	5,815,129
2.2.1	Financial Lease Receivables		1,570,910	5,041,174	6,612,084
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		286,259	510,696	796,955
2.3	Factoring Receivables		-	-	-
2.3.1	Measured at Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans		8,439,028	-	8,439,028
2.5	Expected Credit Loss (-)		7,322,802	1,159,644	8,482,446
2.5.1	12 Month Expected Credit Losses (Stage I)		521,863	216,069	737,932
2.5.2	Significant Increase in Credit Risk (Stage II)		1,920,038	943,575	2,863,613
2.5.3	Credit-Impaired Losses (Stage III / Specific Provision)		4,880,901	-	4,880,901
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-o)	264,384	-	264,384
3.1	Held for Sale Purpose		264,384	-	264,384
3.2	Related to Discontinued Operations		-	-	-
IV.	EQUITY INVESTMENTS		5,521	-	5,521
4.1	Investments in Associates (Net)	(I-h)	5,521	-	5,521
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		5,521	-	5,521
4.2	Subsidiaries (Net)	(I-i)	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3	Joint Ventures (Net)	(I-j)	-	-	-
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-
V.	PROPERTY AND EQUIPMENT (Net)		3,951,289	7,763	3,959,052
VI.	INTANGIBLE ASSETS (Net)		640,599	5,594	646,193
6.1	Goodwill		-	-	-
6.2	Other		640,599	5,594	646,193
VII.	INVESTMENT PROPERTY (Net)	(I-m)	-	-	-
VIII.	CURRENT TAX ASSET		274,086	31,948	306,034
IX.	DEFERRED TAX ASSET	(I-n)	102,264	41,544	143,808
X.	OTHER ASSETS	(I-p)	2,781,989	3,680,182	6,462,171
	TOTAL ASSETS		182,202,647	172,478,963	354,681,610

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.

I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

	ASSETS	Note (Section Five)	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-a)	8,461,584	26,901,592	35,363,176
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	(I-b)	5,433,943	2,921,996	8,355,939
2.1	Trading Financial Assets		5,433,943	2,921,996	8,355,939
2.1.1	Government Debt Securities		9,525	-	9,525
2.1.2	Equity Securities		23,431	-	23,431
2.1.3	Trading Derivative Financial Assets		5,394,053	2,921,996	8,316,049
2.1.4	Other Marketable Securities		6,934	-	6,934
2.2	Financial Assets at Fair Value through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(I-d)	289,699	9,740,030	10,029,729
IV.	MONEY MARKETS		1,552,346	-	1,552,346
4.1	Interbank Money Market Placements		185	-	185
4.2	Istanbul Stock Exchange Money Market Placements		1,552,161	-	1,552,161
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-e)	23,452,703	19,377,085	42,829,788
5.1	Equity Securities		13,013	85,027	98,040
5.2	Government Debt Securities		23,159,176	13,657,443	36,816,619
5.3	Other Marketable Securities		280,514	5,634,615	5,915,129
VI.	LOANS and RECEIVABLES	(I-f)	134,438,198	75,040,191	209,478,389
6.1	Loans and Receivables		134,285,579	75,040,191	209,325,770
6.1.1	Loans to Bank's Risk Group	(VI)	3,676,732	1,929,246	5,605,978
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		130,608,847	73,110,945	203,719,792
6.2	Loans under Follow-up		4,532,711	-	4,532,711
6.3	Specific Provisions (-)		4,380,092	-	4,380,092
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(I-g)	5,995,041	12,887,991	18,883,032
8.1	Government Debt Securities		5,995,041	10,148,338	16,143,379
8.2	Other Marketable Securities		-	2,739,653	2,739,653
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-h)	3,923	-	3,923
9.1	Associates Consolidated Based on Equity Method		-	-	-
9.2	Unconsolidated Associates		3,923	-	3,923
9.2.1	Financial Investments in Associates		-	-	-
9.2.2	Non-Financial Investments in Associates		3,923	-	3,923
X.	SUBSIDIARIES (Net)	(I-i)	-	-	-
10.1	Financial Subsidiaries		-	-	-
10.2	Non-Financial Subsidiaries		-	-	-
XI.	JOINT VENTURES (Net)		-	-	-
11.1	Joint Ventures Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-
XII.	FINANCIAL LEASE RECEIVABLES (Net)	(I-k)	1,530,515	4,334,903	5,865,418
12.1	Financial Lease Receivables		1,856,087	4,885,676	6,741,763
12.2	Operating Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		325,572	550,773	876,345
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	(I-l)	973,630	162,654	1,136,284
13.1	Fair Value Hedge		973,630	31,206	1,004,836
13.2	Cash Flow Hedge		-	131,448	131,448
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)		3,418,021	7,895	3,425,916
XV.	INTANGIBLE ASSETS (Net)		476,470	2,072	478,542
15.1	Goodwill		-	-	-
15.2	Other		476,470	2,072	478,542
XVI.	INVESTMENT PROPERTY (Net)	(I-m)	-	-	-
XVII.	TAX ASSET		28,148	9,377	37,525
17.1	Current Tax Asset		-	-	-
17.2	Deferred Tax Asset	(I-n)	28,148	9,377	37,525
XVIII.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-o)	133,515	-	133,515
18.1	Held for Sale Purpose		133,515	-	133,515
18.2	Related to Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	(I-p)	1,754,630	2,281,805	4,036,435
	TOTAL ASSETS		187,942,366	153,667,591	341,609,957

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

AKBANK T.A.Ş.

I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

	LIABILITIES	Note (Section Five)	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	DEPOSITS	(II-a)	81,384,628	127,245,272	208,629,900
II.	FUNDS BORROWED	(II-c)	756,713	42,893,170	43,649,883
III.	MONEY MARKETS		3,918,298	10,356,718	14,275,016
IV.	SECURITIES ISSUED (Net)	(II-d)	4,854,728	8,216,719	13,071,447
4.1	Bills		2,847,485	-	2,847,485
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		2,007,243	8,216,719	10,223,962
V.	FUNDS		-	-	-
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(II-b, II-g)	11,323,624	1,501,379	12,825,003
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		10,678,666	1,501,379	12,180,045
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		644,958	-	644,958
VIII.	FACTORING LIABILITES		-	-	-
IX.	LEASE LIABILITIES (Net)	(II-f)	-	-	-
9.1	Financial Lease		-	-	-
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	PROVISIONS	(II-h)	1,080,235	262,149	1,342,384
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		324,504	745	325,249
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		755,731	261,404	1,017,135
XI.	CURRENT TAX LIABILITY	(II-i)	465,431	65,112	530,543
XII.	DEFERRED TAX LIABILITY	(II-i)	283,695	128,970	412,665
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(II-j)	-	4,784,477	4,784,477
14.1	Loans		-	-	-
14.2	Other Debt Instruments		-	4,784,477	4,784,477
XV.	OTHER LIABILITIES		7,784,203	3,589,048	11,373,251
XVI.	SHAREHOLDERS' EQUITY	(II-k)	44,778,283	(991,242)	43,787,041
16.1	Paid-in capital		4,000,000	-	4,000,000
16.2	Capital Reserves		3,607,551	-	3,607,551
16.2.1	Share Premium		1,700,000	-	1,700,000
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		1,907,551	-	1,907,551
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2,094,642	6,055	2,100,697
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(267,437)	(997,297)	(1,264,734)
16.5	Profit Reserves		28,961,397	-	28,961,397
16.5.1	Legal Reserves		1,621,374	-	1,621,374
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		27,075,472	-	27,075,472
16.5.4	Other Profit Reserves		264,551	-	264,551
16.6	Income or (Loss)		6,382,004	-	6,382,004
16.6.1	Prior Periods' Income or (Loss)		672,838	-	672,838
16.6.2	Current Period Income or (Loss)		5,709,166	-	5,709,166
16.7	Minority Interest	(II-l)	126	-	126
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		156,629,838	198,051,772	354,681,610

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AKBANK T.A.Ş.
I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (STATEMENT OF FINANCIAL POSITION)
(Amounts are expressed in thousands of Turkish Lira (TL).)

	LIABILITIES	Note (Section Five)	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	**DEPOSITS**	(II-a)	**92,792,353**	**108,663,175**	**201,455,528**
1.1	Deposits of Bank's Risk Group	(VI)	2,265,188	3,120,932	5,386,120
1.2	Other		90,527,165	105,542,243	196,069,408
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	(II-b)	**4,170,579**	**1,253,249**	**5,423,828**
III.	**FUNDS BORROWED**	(II-c)	**375,074**	**33,252,125**	**33,627,199**
IV.	**MONEY MARKETS**		**4,516,895**	**24,840,903**	**29,357,798**
4.1	Funds from Interbank Money Market		507,522	-	507,522
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-
4.3	Funds Provided Under Repurchase Agreements		4,009,373	24,840,903	28,850,276
V.	**SECURITIES ISSUED (Net)**	(II-d)	**7,137,270**	**8,717,955**	**15,855,225**
5.1	Bills		4,012,498	-	4,012,498
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		3,124,772	8,717,955	11,842,727
VI.	**FUNDS**		**-**	**-**	**-**
6.1	Borrower Funds		-	-	-
6.2	Other		-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**4,911,265**	**1,729,825**	**6,641,090**
VIII.	**OTHER LIABILITIES**	(II-e)	**940,960**	**237,400**	**1,178,360**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**
X.	**FINANCIAL LEASE PAYABLES (Net)**	(II-f)	**-**	**-**	**-**
10.1	Financial Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**	(II-g)	**-**	**74,911**	**74,911**
11.1	Fair Value Hedge		-	74,911	74,911
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
XII.	**PROVISIONS**	(II-h)	**2,896,523**	**964,423**	**3,860,946**
12.1	General Loan Loss Provisions		1,736,416	950,455	2,686,871
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		300,792	161	300,953
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		859,315	13,807	873,122
XIII.	**TAX LIABILITY**	(II-i)	**1,432,408**	**188,093**	**1,620,501**
13.1	Current Tax Liability		1,040,244	97,421	1,137,665
13.2	Deferred Tax Liability		392,164	90,672	482,836
XIV.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS**		**-**	**-**	**-**
14.1	Held for Sale Purpose		-	-	-
14.2	Related to Discontinued Operations		-	-	-
XV.	**SUBORDINATED LOANS**	(II-j)	**-**	**1,900,999**	**1,900,999**
XVI.	**SHAREHOLDERS' EQUITY**	(II-k)	**40,688,789**	**(75,217)**	**40,613,572**
16.1	Paid-in capital		4,000,000	-	4,000,000
16.2	Capital Reserves		4,171,089	(75,217)	4,095,872
16.2.1	Share Premium		1,700,000	-	1,700,000
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Differences		(600,631)	(169,489)	(770,120)
16.2.4	Property and Equipment Revaluation Differences		2,343,606	5,356	2,348,962
16.2.5	Intangible Assets Revaluation Differences		-	-	-
16.2.6	Investment Properties Revaluation Differences		-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		3,895	-	3,895
16.2.8	Hedging Funds (Effective portion)		(565,520)	88,916	(476,604)
16.2.9	Value Increase of Assets Held for Sale		-	-	-
16.2.10	Other Capital Reserves		1,289,739	-	1,289,739
16.3	Profit Reserves		25,744,393	-	25,744,393
16.3.1	Legal Reserves		1,469,241	-	1,469,241
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		22,724,398	-	22,724,398
16.3.4	Other Profit Reserves		1,550,754	-	1,550,754
16.4	Income or (Loss)		6,773,168	-	6,773,168
16.4.1	Prior Periods' Income or (Loss)		752,895	-	752,895
16.4.2	Current Period Income or (Loss)		6,020,273	-	6,020,273
16.5	Minority Interest	(II-l)	139	-	139
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**159,862,116**	**181,747,841**	**341,609,957**

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

AKBANK T.A.Ş.
II. CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (TL).)

		Note (Section Five)	CURRENT PERIOD (31/12/2018) TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)			**217,077,279**	**503,919,575**	**720,996,854**
I.	**GUARANTEES AND WARRANTIES**	(III-2, 3)	**22,122,020**	**30,673,351**	**52,795,371**
1.1	Letters of Guarantee		19,262,070	15,680,573	34,942,643
1.1.1	Guarantees Subject to State Tender Law		404,937	2,056,174	2,461,111
1.1.2	Guarantees Given for Foreign Trade Operations		-	2,836,723	2,836,723
1.1.3	Other Letters of Guarantee		18,857,133	10,787,676	29,644,809
1.2	Bank Acceptances		-	2,740,341	2,740,341
1.2.1	Import Letter of Acceptance		-	2,740,341	2,740,341
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		47,035	6,485,727	6,532,762
1.3.1	Documentary Letters of Credit		47,035	5,905,823	5,952,858
1.3.2	Other Letters of Credit		-	579,904	579,904
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	24,353	24,353
1.8	Other Guarantees		14,645	5,734,646	5,749,291
1.9	Other Collaterals		2,798,270	7,711	2,805,981
II.	**COMMITMENTS**	(III-1)	**42,300,534**	**12,166,965**	**54,467,499**
2.1	Irrevocable Commitments		41,404,186	11,705,009	53,109,195
2.1.1	Asset Purchase Commitments		6,589,831	8,568,468	15,158,299
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		8,203,743	3,134,146	11,337,889
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		2,514,769	-	2,514,769
2.1.8	Tax and Fund Liabilities from Export Commitments		3,693	-	3,693
2.1.9	Commitments for Credit Card Limits		19,788,847	-	19,788,847
2.1.10	Commitments for Credit Cards and Banking Services Promotions		82,378	-	82,378
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13	Other Irrevocable Commitments		4,220,925	2,395	4,223,320
2.2	Revocable Commitments		896,348	461,956	1,358,304
2.2.1	Revocable Loan Granting Commitments		837,281	-	837,281
2.2.2	Other Revocable Commitments		59,067	461,956	521,023
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**152,654,725**	**461,079,259**	**613,733,984**
3.1	Hedging Derivative Financial Instruments		16,237,238	45,937,006	62,174,244
3.1.1	Fair Value Hedges		4,768,063	16,510,663	21,278,726
3.1.2	Cash Flow Hedges		11,469,175	29,426,343	40,895,518
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		136,417,487	415,142,253	551,559,740
3.2.1	Forward Foreign Currency Buy/Sell Transactions		10,443,845	17,807,630	28,251,475
3.2.1.1	Forward Foreign Currency Transactions-Buy		6,988,529	7,632,814	14,621,343
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,455,316	10,174,816	13,630,132
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		98,347,488	324,424,673	422,772,161
3.2.2.1	Foreign Currency Swap-Buy		37,673,866	105,283,829	142,957,695
3.2.2.2	Foreign Currency Swap-Sell		57,920,302	84,122,398	142,042,700
3.2.2.3	Interest Rate Swap-Buy		1,376,660	67,509,223	68,885,883
3.2.2.4	Interest Rate Swap-Sell		1,376,660	67,509,223	68,885,883
3.2.3	Foreign Currency, Interest Rate and Securities Options		27,559,961	47,939,566	75,499,527
3.2.3.1	Foreign Currency Options-Buy		12,676,191	15,377,034	28,053,225
3.2.3.2	Foreign Currency Options-Sell		14,883,770	13,150,254	28,034,024
3.2.3.3	Interest Rate Options-Buy		-	9,706,139	9,706,139
3.2.3.4	Interest Rate Options-Sell		-	9,706,139	9,706,139
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-
3.2.6	Other		66,193	24,970,384	25,036,577
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			**832,861,014**	**307,602,995**	**1,140,464,009**
IV.	**ITEMS HELD IN CUSTODY**		**55,629,940**	**19,655,922**	**75,285,862**
4.1	Customer Fund and Portfolio Balances		3,954,484	-	3,954,484
4.2	Investment Securities Held in Custody		18,877,625	2,062,528	20,940,153
4.3	Cheques Received for Collection		26,095,801	2,704,389	28,800,190
4.4	Commercial Notes Received for Collection		6,151,125	3,550,546	9,701,671
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		550,905	11,338,459	11,889,364
4.8	Custodians		-	-	-
V.	**PLEDGES RECEIVED**		**202,720,210**	**89,021,704**	**291,741,914**
5.1	Marketable Securities		805,358	1,368,190	2,173,548
5.2	Guarantee Notes		763,134	565,924	1,329,058
5.3	Commodity		113,226	7,890	121,116
5.4	Warranty		-	-	-
5.5	Immovables		165,010,393	65,430,456	230,440,849
5.6	Other Pledged Items		36,028,099	21,649,244	57,677,343
5.7	Pledged Items-Depository		-	-	-
VI.	**ACCEPTED BILL, GUARANTEES AND WARRANTEES**		**574,510,864**	**198,925,369**	**773,436,233**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**1,049,938,293**	**811,522,570**	**1,861,460,863**

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AKBANK T.A.Ş.
II. CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL).)

		Note (Section Five)	PRIOR PERIOD (31/12/2017) TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)			**179,669,683**	**414,581,289**	**594,250,972**
I.	**GUARANTEES AND WARRANTIES**	**(III-2, 3)**	**21,647,854**	**30,315,941**	**51,963,795**
1.1	Letters of Guarantee		18,791,169	16,142,039	34,933,208
1.1.1	Guarantees Subject to State Tender Law		492,470	2,884,919	3,377,389
1.1.2	Guarantees Given for Foreign Trade Operations		-	3,297,312	3,297,312
1.1.3	Other Letters of Guarantee		18,298,699	9,959,808	28,258,507
1.2	Bank Acceptances		198	3,757,904	3,758,102
1.2.1	Import Letter of Acceptance		198	3,757,904	3,758,102
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		7,257	6,927,068	6,934,325
1.3.1	Documentary Letters of Credit		7,257	6,357,468	6,364,725
1.3.2	Other Letters of Credit		-	569,600	569,600
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	10,757	10,757
1.8	Other Guarantees		28,469	3,466,915	3,495,384
1.9	Other Collaterals		2,820,761	11,258	2,832,019
II.	**COMMITMENTS**	**(III-1)**	**39,587,905**	**11,764,500**	**51,352,405**
2.1	Irrevocable Commitments		38,813,809	11,625,354	50,439,163
2.1.1	Asset Purchase Commitments		2,668,087	7,928,578	10,596,665
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		7,108,285	3,694,692	10,802,977
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		6,679,928	-	6,679,928
2.1.8	Tax and Fund Liabilities from Export Commitments		5,586	-	5,586
2.1.9	Commitments for Credit Card Limits		18,431,137	-	18,431,137
2.1.10	Commitments for Credit Cards and Banking Services Promotions		66,262	-	66,262
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13	Other Irrevocable Commitments		3,854,524	2,084	3,856,608
2.2	Revocable Commitments		774,096	139,146	913,242
2.2.1	Revocable Loan Granting Commitments		684,444	-	684,444
2.2.2	Other Revocable Commitments		89,652	139,146	228,798
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**118,433,924**	**372,500,848**	**490,934,772**
3.1	Hedging Derivative Financial Instruments		2,497,225	27,012,330	29,509,555
3.1.1	Fair Value Hedges		2,497,225	12,659,318	15,156,543
3.1.2	Cash Flow Hedges		-	14,353,012	14,353,012
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		115,936,699	345,488,518	461,425,217
3.2.1	Forward Foreign Currency Buy/Sell Transactions		12,282,414	17,635,529	29,917,943
3.2.1.1	Forward Foreign Currency Transactions-Buy		5,985,150	8,969,994	14,955,144
3.2.1.2	Forward Foreign Currency Transactions-Sell		6,297,264	8,665,535	14,962,799
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		86,592,072	229,461,255	316,053,327
3.2.2.1	Foreign Currency Swap-Buy		32,237,645	80,929,409	113,167,054
3.2.2.2	Foreign Currency Swap-Sell		51,016,127	57,681,478	108,697,605
3.2.2.3	Interest Rate Swap-Buy		1,669,150	45,425,184	47,094,334
3.2.2.4	Interest Rate Swap-Sell		1,669,150	45,425,184	47,094,334
3.2.3	Foreign Currency, Interest Rate and Securities Options		16,974,837	83,630,054	100,604,891
3.2.3.1	Foreign Currency Options-Buy		7,744,739	11,982,227	19,726,966
3.2.3.2	Foreign Currency Options-Sell		9,230,098	10,813,503	20,043,601
3.2.3.3	Interest Rate Options-Buy		-	30,417,162	30,417,162
3.2.3.4	Interest Rate Options-Sell		-	30,417,162	30,417,162
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-
3.2.6	Other		87,376	14,761,680	14,849,056
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			**730,313,032**	**217,860,085**	**948,173,117**
IV.	**ITEMS HELD IN CUSTODY**		**47,355,366**	**12,571,070**	**59,926,436**
4.1	Customer Fund and Portfolio Balances		4,329,384	13,103	4,342,487
4.2	Investment Securities Held in Custody		15,331,148	1,062,605	16,393,753
4.3	Cheques Received for Collection		21,906,910	1,675,367	23,582,277
4.4	Commercial Notes Received for Collection		5,293,887	2,661,455	7,955,342
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		494,037	7,158,540	7,652,577
4.8	Custodians		-	-	-
V.	**PLEDGES RECEIVED**		**154,062,256**	**70,259,533**	**224,321,789**
5.1	Marketable Securities		1,533,214	570,101	2,103,315
5.2	Guarantee Notes		1,061,747	555,781	1,617,528
5.3	Commodity		-	25,310	25,310
5.4	Warranty		-	-	-
5.5	Immovables		114,165,824	50,890,890	165,056,714
5.6	Other Pledged Items		37,301,471	18,217,451	55,518,922
5.7	Pledged Items-Depository		-	-	-
VI.	**ACCEPTED BILL, GUARANTEES AND WARRANTEES**		**528,895,410**	**135,029,482**	**663,924,892**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**909,982,715**	**632,441,374**	**1,542,424,089**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.
III. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSE ITEMS	Note (Section Five)	CURRENT PERIOD (01/01-31/12/2018)
I.	**INTEREST INCOME**	**(IV-a)**	**35,519,540**
1.1	Interest on Loans	(IV-a-1)	26,458,079
1.2	Interest on Reserve Requirements		472,136
1.3	Interest on Banks	(IV-a-2)	793,556
1.4	Interest on Money Market Transactions		227,286
1.5	Interest on Marketable Securities Portfolio	(IV-a-3)	6,974,975
1.5.1	Fair Value Through Profit or Loss		5,417
1.5.2	Fair Value Through Other Comprehensive Income		5,575,098
1.5.3	Measured at Amortised Cost		1,394,460
1.6	Financial Lease Income		508,121
1.7	Other Interest Income		85,387
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**19,923,670**
2.1	Interest on Deposits	(IV-b-4)	14,864,744
2.2	Interest on Funds Borrowed	(IV-b-1)	1,667,243
2.3	Interest Expense on Money Market Transactions		1,692,320
2.4	Interest on Securities Issued	(IV-b-3)	1,623,025
2.5	Other Interest Expenses		76,338
III.	**NET INTEREST INCOME (I - II)**		**15,595,870**
IV.	**NET FEES AND COMMISSIONS INCOME**		**3,718,214**
4.1	Fees and Commissions Received		4,767,331
4.1.1	Non-cash Loans		407,903
4.1.2	Other		4,359,428
4.2	Fees and Commissions Paid		1,049,117
4.2.1	Non-cash Loans		1,825
4.2.2	Other		1,047,292
V.	**PERSONNEL EXPENSE (-)**		**2,261,321**
VI	**DIVIDEND INCOME**		**6,567**
VII.	**TRADING INCOME /(LOSS) (Net)**	**(IV-c)**	**(637,489)**
7.1	Trading Gains / (Losses) on Securities		(1,112,205)
7.2	Gains / (Losses) on Derivative Financial Transactions		4,653,563
7.3	Foreign Exchange Gains / (Losses)		(4,178,847)
VIII.	**OTHER OPERATING INCOME**	**(IV-d)**	**1,015,593**
IX.	**GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)**		**17,437,434**
X.	**EXPECTED CREDIT LOSS (-)**		**6,759,974**
XI.	**OTHER OPERATING EXPENSES (-)**	**(IV-f)**	**3,541,026**
XII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**7,136,434**
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)**		**7,136,434**
XVII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-h)**	**1,427,281**
17.1	Current Tax Provision		1,123,468
17.2	Deferred Tax Income Effect (+)		845,137
17.3	Deferred Tax Expense Effect (-)		541,324
XVIII.	**CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)**	**(IV-i)**	**5,709,153**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from Non-current Assets Held for Sale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Income from Other Discontinued Operations		-
XX.	**EXPENSES FOR DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses for Non-current Assets Held for Sale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)**		**-**
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	**(IV-h)**	**-**
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)**	**(IV-i)**	**5,709,153**
24.1	Income/(Loss) from the Group		5,709,166
24.2	Income/(Loss) from Minority Interest	**(IV-g)**	(13)
	Earning/(Loss) per share (in TL full)		0.01427

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

AKBANK T.A.Ş.

III. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017

(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSE ITEMS	Note (Section Five)	PRIOR PERIOD (01/01-31/12/2017)
I.	**INTEREST INCOME**	**(IV-a)**	**24,389,468**
1.1	Interest on Loans	(IV-a-1)	19,181,610
1.2	Interest on Reserve Requirements		256,456
1.3	Interest on Banks	(IV-a-2)	254,073
1.4	Interest on Money Market Transactions		31,266
1.5	Interest on Marketable Securities Portfolio	(IV-a-3)	4,220,083
1.5.1	Trading Financial Assets		6,866
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available-for-sale Financial Assets		3,130,538
1.5.4	Held- to- maturity Investments		1,082,679
1.6	Financial Lease Income		412,127
1.7	Other Interest Income		33,853
II.	**INTEREST EXPENSE**	**(IV-b)**	**13,096,669**
2.1	Interest on Deposits	(IV-b-4)	10,337,683
2.2	Interest on Funds Borrowed	(IV-b-1)	856,081
2.3	Interest Expense on Money Market Transactions		786,677
2.4	Interest on Securities Issued	(IV-b-3)	1,071,253
2.5	Other Interest Expenses		44,975
III.	**NET INTEREST INCOME (I - II)**		**11,292,799**
IV.	**NET FEES AND COMMISSIONS INCOME**		**2,961,964**
4.1	Fees and Commissions Received		3,684,347
4.1.1	Non-cash Loans		262,864
4.1.2	Other		3,421,483
4.2	Fees and Commissions Paid		722,383
4.2.1	Non-cash Loans		1,338
4.2.2	Other		721,045
V.	**DIVIDEND INCOME**		**2,658**
VI.	**TRADING INCOME /(LOSS) (Net)**	**(IV-c)**	**(529,945)**
6.1	Trading Gains / (Losses) on Securities		228,099
6.2	Gains / (Losses) on Derivative Financial Transactions		(1,146,364)
6.3	Foreign Exchange Gains / (Losses)		388,320
VII.	**OTHER OPERATING INCOME**	**(IV-d)**	**1,247,964**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**14,975,440**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(IV-e)**	**2,441,912**
X.	**OTHER OPERATING EXPENSES (-)**	**(IV-f)**	**4,879,293**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**7,654,235**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**
XV.	**PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)**		**7,654,235**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-h)**	**1,633,953**
16.1	Current Tax Provision		1,654,953
16.2	Deferred Tax Provision		(21,000)
XVII.	**CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)**		**6,020,282**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
18.1	Income from Non-current Assets Held for Sale		-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
18.3	Income from Other Discontinued Operations		-
XIX.	**EXPENSES FOR DISCONTINUED OPERATIONS (-)**		**-**
19.1	Expenses for Non-current Assets Held for Sale		-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Expenses for Other Discontinued Operations		-
XX.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)**		**-**
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**
21.1	Current Tax Provision		-
21.2	Deferred Tax Provision		-
XXII.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		**-**
XXIII.	**NET INCOME/(LOSS) (XVII+XXII)**	**(IV-i)**	**6,020,282**
23.1	**Income/(Loss) from the Group**		**6,020,273**
23.2	Income/(Loss) from Minority Interest	**(IV-g)**	9
	Earning/(Loss) per share (in TL full)		0.01505

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts are expressed in thousands of Turkish Lira (TL).)

		CURRENT PERIOD (31/12/2018)
I.	**CURRENT PERIOD INCOME/LOSS**	**5,709,153**
II.	**OTHER COMPREHENSIVE INCOME**	**(1,411,490)**
2.1	**Not Reclassified Through Profit or Loss**	**5,422**
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	6,951
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	(1,529)
2.2	**Reclassified Through Profit or Loss**	**(1,416,912)**
2.2.1	Foreign Currency Translation Differences	1,041,539
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(2,974,522)
2.2.3	Cash Flow Hedge Income/Loss	315,750
2.2.4	Foreign Net Investment Hedge Income/Loss	(493,088)
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	693,409
XII.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**4,297,663**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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AKBANK T.A.Ş.
IV. UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira (TL).)

	INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY	PRIOR PERIOD (31/12/2017)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE- FOR- SALE FINANCIAL ASSETS	488,853
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	2,465,549
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	TRANSLATION DIFFERENCES FROM FOREIGN CURRENCY TRANSACTIONS	505,242
V.	PROFIT/LOSS FROM CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion of Fair Value Changes)	59,390
VI.	PROFIT/LOSS FROM FOREIGN NET INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion)	(252,032)
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS	-
VIII.	OTHER INCOME/EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(53,804)
IX.	TAX RELATED TO VALUATION DIFFERENCES	(212,177)
X.	NET INCOME/EXPENSE DIRECTLY ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	3,001,021
XI.	CURRENT PERIOD INCOME / LOSS	6,020,282
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit/Loss)	20,994
11.2	Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	(37,278)
11.3	Part of Foreign Net Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.4	Other	6,036,566
XII.	TOTAL INCOME / LOSS ACCOUNTED FOR THE PERIOD (X±XI)	9,021,303

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(*) Figure represents the effective part of the foreign exchange differences of the financial liabilities hedging the net investment risk of foreign investments as explained in Note II of Section Three.

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

AKBANK T.A.Ş.
V. CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira

						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Note (Section Five)	Paid-in Capital	Share Premiums	Share 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)	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 Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
CURRENT PERIOD (31/12/2018)																	
Prior Period End Balance		4,000,000	1,700,000	-	1,405,892	2,348,962	(116,153)	3,895	1,287,933	(770,120)	(476,604)	24,456,460	752,895	6,020,273	40,613,433	139	40,613,572
Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	501,659	-	-	-	-	110,969	-	-	-	-	612,628	-	612,628
Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of the Changes in Accounting Policies		-	-	-	501,659	-	-	-	-	110,969	-	-	-	-	612,628	-	612,628
Adjusted Beginning Balance (I+II)		4,000,000	1,700,000	-	1,907,551	2,348,962	(116,153)	3,895	1,287,933	(659,151)	(476,604)	24,456,460	752,895	6,020,273	41,226,061	139	41,226,200
Total Comprehensive Income		-	-	-	-	-	5,422	-	1,041,539	(2,320,127)	(138,324)			5,709,166	4,297,676	(13)	4,297,663
Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease by Other Changes		-	-	-	-	(141,429)	-	-	-	-	-	84,664	(80,057)	-	(136,822)	-	(136,822)
Profit Distribution		-	-	-	-	-	-	-	-	-	-	4,420,273	-	(6,020,273)	(1,600,000)	-	(1,600,000)
Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	(1,600,000)	(1,600,000)	-	(1,600,000)
Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,420,273	-	(4,420,273)	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (I+II+III+...+XVI+XVII+XVIII)		**4,000,000**	**1,700,000**	**-**	**1,907,551**	**2,207,533**	**(110,731)**	**3,895**	**2,329,472**	**(2,979,278)**	**(614,928)**	**28,961,397**	**672,838**	**5,709,166**	**43,786,915**	**126**	**43,787,041**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separate

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

AKBANK T.A.Ş.

V. CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	Paid-in Capital	Adjustment to Share Capital(*)	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
	PRIOR PERIOD (31/12/2017)								
I.	Begining Balance		4,000,000	1,405,892	1,700,000	-	1,386,657	-	19,199,849
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)		4,000,000	1,405,892	1,700,000	-	1,386,657	-	19,199,849
	Changes in the period								
IV.	Increase/Decrease due to Mergers		-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-
VI.	Hedging transactions		-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-
6.2	Foreign Net Investment Hedge		-	-	-	-	-	-	-
VII.	Property and Equipment Revaluation Differences		-	-	-	-	-	-	-
VIII.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint		-	-	-	-	-	-	-
X.	Translation Differences		-	-	-	-	-	-	-
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-
XIII.	Effects of changes in equity of investments in associates		-	-	-	-	-	-	-
XIV.	Capital Increase		-	-	-	-	-	-	-
14.1	Cash Increase		-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-
XV.	Share Issuance		-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-
XVII.	Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-
XIX.	Current Year Income or (Loss)		-	-	-	-	-	-	-
XX.	Profit Distribution		-	-	-	-	82,584	-	3,524,549
20.1	Dividends paid		-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	-	82,584		3,524,549
20.3	Other		-	-	-	-	-	-	-
	Period-End Balance (III+IV+V+......+XVIII+XIX+XX)		**4,000,000**	**1,405,892**	**1,700,000**	**-**	**1,469,241**	**-**	**22,724,398**

		Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Valuation Differences	Property & Equipment Revaluation Differences	Bonus Shares from Invest. in Ass., Subs. and J.V.	Hedging Transactions	Val. Chan. in Prop. and Eq. HFS Purp./ Disc. Opr.	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
	PRIOR PERIOD (31/12/2017)											
I.	Begining Balance	832,517	4,854,168	545,745	(1,161,202)	47,106	3,895	(322,490)	-	32,492,137	130	32,492,267
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)	832,517	4,854,168	545,745	(1,161,202)	47,106	3,895	(322,490)	-	32,492,137	130	32,492,267
	Changes in the period											
IV.	Increase/Decrease due to Mergers	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	-	-	-	391,082	-	-	-	-	391,082	-	391,082
VI.	Hedging transactions	-	-	-	-	-	-	(154,114)	-	(154,114)	-	(154,114)
6.1	Cash Flow Hedge	-	-	-	-	-	-	47,512	-	47,512	-	47,512
6.2	Foreign Net Investment Hedge	-	-	-	-	-	-	(201,626)	-	(201,626)	-	(201,626)
VII.	Property and Equipment Revaluation Differences	-	-	-	-	2,301,856	-	-	-	2,301,856	-	2,301,856
VIII.	Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint	-	-	-	-	-	-	-	-	-	-	-
X.	Translation Differences	505,242	-	-	-	-	-	-	-	505,242	-	505,242
XI.	Changes due to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of changes in equity of investments in associates	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash Increase	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Issuance	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	(43,043)	-	-	-	-	-	-	-	(43,043)	-	(43,043)
XIX.	Current Year Income or (Loss)	-	6,020,273	-	-	-	-	-	-	6,020,273	9	6,020,282
XX.	Profit Distribution	139,885	(4,854,168)	207,150	-	-	-	-	-	(900,000)	-	(900,000)
20.1	Dividends paid	-	(900,000)	-	-	-	-	-	-	(900,000)	-	(900,000)
20.2	Transfers to Reserves	139,885	(3,954,168)	207,150	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+V+......+XVIII+XIX+XX)	**1,434,601**	**6,020,273**	**752,895**	**(770,120)**	**2,348,962**	**3,895**	**(476,604)**	**-**	**40,613,433**	**139**	**40,613,572**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(*) The amounts for the "Paid-in Capital Inflation Adjustment Difference" and "Actuarial Loss/Gain" which is in the "Other Reserves" are presented under "Other Capital Reserves" in the financial statements.

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

AKBANK T.A.Ş.

VI. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	CURRENT PERIOD (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	Operating Profit before changes in operating assets and liabilities		7,636,550
1.1.1	Interest received		29,928,004
1.1.2	Interest paid		(20,413,761)
1.1.3	Dividend received		3,754
1.1.4	Fees and commissions received		4,771,235
1.1.5	Other income		97,592
1.1.6	Collections from previously written-off loans and other receivables		1,845,638
1.1.7	Payments to personnel and service suppliers		(2,481,346)
1.1.8	Taxes paid		(363,781)
1.1.9	Other		(5,750,785)
1.2	Changes in operating assets and liabilities		(9,259,959)
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(138,170)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions		(434,648)
1.2.3	Net (increase) / decrease in loans		(4,835,767)
1.2.4	Net (increase) / decrease in other assets		(5,782,056)
1.2.5	Net increase / (decrease) in bank deposits		(5,878,529)
1.2.6	Net increase / (decrease) in other deposits		12,609,364
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8	Net increase / (decrease) in funds borrowed		9,503,933
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities		(14,304,086)
I.	Net cash provided from banking operations		(1,623,409)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	Net cash provided from investing activities		3,805,272
2.1	Cash paid for acquisition of investments, associates and subsidiaries		-
2.2	Cash obtained from disposal of investments, associates and subsidiaries		1,214
2.3	Purchases of property and equipment		(1,643,311)
2.4	Disposals of property and equipment		1,009,046
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(12,611,080)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		12,945,825
2.7	Purchase of Financial Assets Measured at Amortised Cost		1,654,189
2.8	Sale of Financial Assets Measured at Amortised Cost		2,449,389
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	Net cash provided from financing activities		(1,483,420)
3.1	Cash obtained from funds borrowed and securities issued		22,330,884
3.2	Cash used for repayment of funds borrowed and securities issued		(22,214,304)
3.3	Issued equity instruments		-
3.4	Dividends paid		(1,600,000)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		5,036,545
V.	Net increase in cash and cash equivalents (I+II+III+IV)		5,734,988
VI.	Cash and cash equivalents at beginning of the period	(V)	12,697,466
VII.	Cash and cash equivalents at end of the period	(V)	18,432,454

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.
VI. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017

(Amounts are expressed in thousands of Turkish Lira (TL)).

		Note (Section Five)	PRIOR PERIOD (31/12/2017)
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	Operating Profit before changes in operating assets and liabilities		8,144,211
1.1.1	Interest received		22,341,368
1.1.2	Interest paid		(12,952,618)
1.1.3	Dividend received		2,658
1.1.4	Fees and commissions received		3,790,203
1.1.5	Other income		635,773
1.1.6	Collections from previously written-off loans and other receivables		967,336
1.1.7	Payments to personnel and service suppliers		(2,168,648)
1.1.8	Taxes paid		(1,610,854)
1.1.9	Other		(2,861,007)
1.2	Changes in operating assets and liabilities		(5,939,280)
1.2.1	Net decrease in trading securities		24,143
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		3,530,251
1.2.4	Net (increase) / decrease in loans		(30,739,553)
1.2.5	Net (increase) / decrease in other assets		(9,591,088)
1.2.6	Net increase / (decrease) in bank deposits		6,718,189
1.2.7	Net increase / (decrease) in other deposits		20,684,086
1.2.8	Net increase / (decrease) in funds borrowed		523,958
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase / (decrease) in other liabilities		2,910,734
I.	Net cash provided from banking operations		2,204,931
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	Net cash provided from investing activities		(7,319,775)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		-
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(483,470)
2.4	Disposals of property and equipment		52,528
2.5	Cash paid for purchase of investments available-for-sale		(17,616,415)
2.6	Cash obtained from sale of investments available-for-sale		10,972,759
2.7	Cash paid for purchase of investment securities		(226)
2.8	Cash obtained from sale of investment securities		765,997
2.9	Other		(1,010,948)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	Net cash provided from financing activities		4,299,418
3.1	Cash obtained from funds borrowed and securities issued		11,444,452
3.2	Cash used for repayment of funds borrowed and securities issued		(6,245,034)
3.3	Issued equity instruments		-
3.4	Dividends paid		(900,000)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		685,442
V.	Net increase in cash and cash equivalents (I+II+III+IV)		(129,984)
VI.	Cash and cash equivalents at beginning of the period	(V)	12,827,451
VII.	Cash and cash equivalents at end of the period	(V)	12,697,467

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

AKBANK T.A.Ş.
VII. PROFIT APPROPRIATION STATEMENT

(Amounts are expressed in thousands of Turkish Lira (TL)).

		CURRENT PERIOD (31/12/2018)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**	
1.1	CURRENT YEAR INCOME	6,975,856
1.2	TAXES AND DUTIES PAYABLE	1,286,212
1.2.1	Corporate Tax (Income Tax)	818,761
1.2.2	Income Withholding Tax	
1.2.3	Other taxes and duties	467,451
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**5,689,644**
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)]**	**5,689,644**
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	0.014
3.2	TO OWNERS OF ORDINARY SHARES (%)	1.4
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 (%)	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.
(2) Profit appropriation is being done according to unconsolidated financial statements.

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

AKBANK T.A.Ş.
VII. PROFIT APPROPRIATION STATEMENT
(Amounts are expressed in thousands of Turkish Lira (TL)).

		CURRENT PERIOD (31/12/2017)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**	
1.1	CURRENT YEAR INCOME	7,516,611
1.2	TAXES AND DUTIES PAYABLE	1,477,542
1.2.1	Corporate Tax (Income Tax)	1,436,074
1.2.2	Income Withholding Tax	
1.2.3	Other taxes and duties	41,468
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**6,039,069**
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)]**	**6,039,069**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	200,000
1.6.1	To Owners of Ordinary Shares	200,000
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 (-)	1,400,000
1.9.1	To Owners of Ordinary Shares	1,400,000
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 (-)	140,000
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	4,291,946
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	7,123
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	0.015
3.2	TO OWNERS OF ORDINARY SHARES (%)	1.5
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	0
4.2	TO OWNERS OF ORDINARY SHARES (%)	0
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.
(2) Profit appropriation is being done according to unconsolidated financial statements.

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

SECTION THREE
EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION:

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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 in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The 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" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value. Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

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

Explanations on IFRS 16 Leases Standard:

The "IFRS 16 Leases" standard was publshed in the official gazette dated 16 April 2018 and numbered 29826 for the period beginning after 31 December 2018. In this standard, the difference between the operating lease and the finance lease has been eliminated, and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment.

The Group has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019.

The bank will apply this standard on January 1, 2019, which is the mandatory date of implementation. The bank plans to use simplified transition implementation and not to change comparable figures for the year before the first application.

b. Explanation for convenience translation into English:

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

c. Accounting policies and valuation principles used in the preparation of the financial statements:

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). In accordance with the transition requirements of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the period 2017 are included in Section three notes XXXI. Implementation and effects for the transition of TFRS 9 are explained in Section three notes XXX. Accounting policies and valuation principles used by the Bank are explained in footnotes II through XXXI below.

d. Items Subject to different accounting policies in the preparation of consolidated financial statements:

There are no items subject to different accounting policies in the preparation of these consolidated financial statements.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND EXPLANATIONS ON FOREIGN CURRENCY TRANSACTIONS:

The Group's core business activities include retail banking, commercial banking, and corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The Group performs financial leasing transactions through Ak Finansal Kiralama A.Ş. By nature the Group's activities are principally related to the use of financial instruments. As the main funding source, the Group accepts deposits from customers for various periods and invests these funds in high quality assets with high interest margins. Other than deposits, the Group's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Group's exposure to liquidity risk, interest rate risk, currency risk and credit risk while increasing profitability and strengthening the Group's equity. The Asset-Liability Committee ("ALCO") manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee ("ERC").

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "Net foreign exchange income/expense". Assets and liabilities of foreign subsidiaries are translated into Turkish lira using the foreign exchange rates prevailing at the balance sheet date, income and expenses of foreign subsidiaries are translated into Turkish Lira at the average exchange rates and all resulting exchange differences are accounted in the shareholders' equity under "Other profit reserves".

As of 31 December 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,2600 and TL 6,0182 for USD, EURO respectively.

III. EXPLANATIONS ON EQUITY INVESTMENTS:

Consolidated financial statements are prepared in accordance with the "Turkish Financial Reporting Standard for Consolidated Financial Statements" ("TFRS 10") and "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette no.26340 dated 8 November 2006.

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the

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Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income. Minority interests are presented in the consolidated balance sheet, in the shareholders' equity.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Parent Bank and its subsidiaries, Ak Yatırım Menkul Değerler A.Ş., Ak Portföy Yönetimi A.Ş., Akbank AG, Ak Finansal Kiralama A.Ş., AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but the Bank has 100% control power due to the reason that this company is "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group" in these consolidated financial statements.

Ak Yatırım Menkul Değerler A.Ş. was established on 11 December 1996 to trade in capital markets in accordance with Capital Market Law. This company is delivering intermediary services in capital markets, discretionary portfolio management, derivative transactions, repurchase and reverse repurchase agreements with authorizations given by the Capital Markets Board for each transaction.

Ak Finansal Kiralama A.Ş. was established in 1988 for leasing operations and all kinds of agreements and transactions related to these operations.

Ak Portföy Yonetimi A.Ş was established on 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş. and pension funds of AvivaSa Emeklilik and Hayat A.Ş. and Groupama. Portfolios of retail customers are also managed.

Akbank AG operates in Germany, providing corporate, consumer and private banking services.

Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş., 100% owned by the Bank, has been established on 19 February 2018 to provide payment services and electronic money issuance under the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions registered in the trade registry.

A.R.T.S. Ltd. is a "Structured Entity" which was established in November 1999 for the purpose of supplying long-term financing.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Bank are foreign currency interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). Although certain derivative transactions provide effective economic hedges under the Bank's risk management position, in accordance with TAS 39 they are treated as derivatives "Held-for-trading".

Payables and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Trading derivative financial assets" or "Hedging derivative financial assets"; if the fair value difference is negative, it is disclosed in "Trading derivative financial liabilities" or "Hedging derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement. The basis on accounting of derivative instruments for hedging purposes are explained in Note XI of Section Four. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

An embedded derivative shall be separated from host contract only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss

If an embedded derivative is separated, the host contract shall be accounted for under TAS 39 if it is a financial instrument, and in accordance with other appropriate standards if it is not a financial instrument.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". Starting from 1 January 2018, Group has started to calculate interest accrual on non-performing loans. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest rate method" and TFRS 15 "Revenue from Contracts with Customers" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortised Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. 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.

The Group recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

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

"Financial assets at fair value through profit/loss" are financial assets that do not lead to cash flows representing solely payments of principal and interest at certain date; 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 Group sometimes renegotiates or other wise modifies the contractual cash flows of loans to customers. When this happens the Group assess whether or not the new terms are substantially different to the original terms. If the terms are substantially different the Group derecognizes the original financial asset and recognizes a new asset at fair value. If the cash flows generated by the new asset do not constitute solely payment of principal and interest than the new financial asset is recognized as its fair value and measured 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 interest 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. Interest income calculated with effective interest rate 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 amortised 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. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition the Bank can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

c. Financial Assets Measured at Amortised Cost:

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

Financial assets measured at amortised cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortised cost by using effective interest rate method. Interest income obtained from financial assets measured at amortised cost is accounted in income statement.

"Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year. At the end of the year, the real inflation rate is used.

d. Derivative Financial Assets:

The major derivative instruments utilized by the Group are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

Derivative financial instruments of the Group are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

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 Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". 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 principles for the recognition of derivative transactions intended for hedging purposes are disclosed in the footnote numbered VIII of Section Four. 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.

e. Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortised cost using the "Effective Interest Rate (internal rate of return) Method".

1. Loans measured at amortised cost:

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

Stage 1:

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

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

2. Loans measured at fair value through profit or loss:

In certain circumstances cases, restructuring or altering the contractual cash flows of a financial instrument may result in the disposal of the existing financial asset in accordance with TFRS 9. A revised financial asset is considered as a new financial asset when the change in the financial asset is once excluded from the financial statement and the revised financial asset is recognized in accordance with TFRS 9.

The Bank assesses whether the new financial asset contains solely payments of principal and interest when the new conditions for the instrument have determined that there are significant changes compared to the initial conditions in the relevant contracts.

In the event that the contractual conditions for the financial asset do not result in cash flows that include solely payments of principal and interest on certain dates, the related financial asset is recognized with its fair value and is subject to valuation.

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Definition of Default:

The Bank considers that there is a default on the relevant debt in the following two cases:

1. Objective Default Definition: It means that the debt is overdue by more than 90 days. The definition of default, which is applicable to the Bank and its consolidated financial institutions, is based on the criteria that the debt is overdue by more than 90 days. If the debt is delayed by 90 days, it is not considered as a default. The situation of default is valid after 91th days.

2. Subjective Default Definition: It means that it is determined the debt will not be paid off. If the borrower deemed to be unable to fulfill the debt obligations, borrower should be considered as defaulted whether there is a overdue payment or number of days.

Write-off Policy:

According to the Bank's financial asset is completely write-off from the Bank financial statement. If there is a process that the financial asset has reached its default status and does not have any expectation that it will be recovered.

Partial write-off means that its is agreed that a financial asset will be repaid by the debtor at a certain rate and the amount remaining after the payment of such amount is deducted from the financial statements.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSS:

The Group allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Group 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" published in the Official Gazette dated 22 June 2016 numbered 29750. 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 estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation – Input and Forecasting Methodologies

Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk.

- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing Expected Credit Loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance. Calculated LGD remains constant until its overdue.

- Exposure at Default: Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the bmaturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There is no update in the assumptions in the estimation techniques.

- Model risk parameters and macroeconomic estimation models have been updated with recent data.

- Expected Credit Loss calculation has been made with using multi-scenario structure by using updated macroeconomic model scenarios

Within the scope of TFRS 9, models of Probability of default (PD), Lost given default (LGD) and Exposure at default (EAD) have been developed. The models used by the IRB "(Internal Rating Based Approach)" are taken into account when creating these models. The models developed under TFRS 9 have a detailed segment structure. Loans that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the loans is taken into consideration.

1. Customer type (retail or corporate / commercial)
2. Product type
3. IRB rating notes /scores
4. Customer credit performance
5. Collateral type
6. Collection Period
7. Exposure at default

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There is no update in the assumptions in the estimation techniques.

- Model risk parameters and macroeconomic estimation models have been updated with recent data.

- Expected Credit Loss calculation has practiced with using multi-scenario structure by using updated macroeconomic model scenarios

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of the Bank moves the default rate calculated for each maturity up or down.The main parameters of default ratio model are "Growth Rate" and "Policy Interest". Therefore, the calculated provisions can change when the macroeconomic expectations are taken into consideration.

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The PD values subject to the ECL calculation have been obtained for the following portfolios.

Consumer/Commercial	Portfolio
Consumer	Consumer
Consumer	Automotive
Consumer	Mortgage
Consumer	Credit Card
Consumer	Overdraft Account
Commercial	Micro
Commercial	Company
Commercial	Commercial
Commercial	Corporate

The prospective expectations have been determined based on 2 scenarios, base scenario and negative scenario. Each scenario has predetermined weights. Final allowances are calculated by weighting the probability given to the scenarios.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

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

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortised cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly

over the life of the repurchase agreement using the "Effective interest (internal return) method".

Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest rate method".

The Group has securities lending transactions amounting TL 335.021 as of 31 December 2018.

XI. EXPLANATIONS ON PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH THESE ASSETS:

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing 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 (TAS 5)".

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Group has no goodwill.

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.

Intangibles are amortised over three to fifteen years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 January 2017. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

Where the carrying amount of an asset is greater than its estimated "Net realizable value amount", it is written down to its "Net realizable value amount" and the impairment loss is charged to the income statement.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Vault	5 years
Transportation Vehicles	5 years
Other property and equipments	3-7 years

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

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease its costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any impairment in value of the leased asset, an impairment loss is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

The Group performs financial leasing operations as a "Lessor" through Ak Finansal Kiralama A.Ş. which is a consolidated subsidiary. The asset subject to the financial leasing is presented in the balance sheet as receivable equal to the net leasing amount. Interest income is recognized over the term of the lease using the net investment method which reflects a constant periodic rate of return and the unearned portion is followed under unearned interest income account.

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may 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 in the Group, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Employment termination benefits and vacation rights:

Obligations related to employment termination and vacation rights are accounted in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability. In accordance with TAS 19, actuarial gains and losses are recognized in equity.

b. Retirement Rights:

The Bank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund") established in accordance with the Social Security Law numbered 506, temporary article No.20. The financial statements of the Pension Fund have been audited as of year ends by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette no 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution ("SSI") within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette numbered 28156 dated 28 December 2011.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the ''Social Insurance and General Health Insurance Law no. 5510'' published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published İn the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

With respect to that, according to the technical balance sheet report as at 31 December 2018 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. 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.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

The consolidated affiliates do not have the above mentioned retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the Social Security Institution and other defined contribution plans.

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XVIII. EXPLANATIONS ON TAXATION:

a. Current Tax:

In Turkey, corporate tax rate is 20%. Corporate tax rate will be applied as 22% for a period of three years in 2018-2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. The corporate tax rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and exclusion of deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are 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 thus does not incur withholding tax.

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

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax 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. Companies file their tax returns until the 25th day of the following fourth month after the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing 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.

Current tax, related to items recognized directly in equity is also credited or charged directly to equity.

Information on taxation in foreign associates are given below:

Akbank AG (Germany)

German-resident corporations (i.e. corporations with legal or business centers located in Germany) are subject to corporate taxation in Germany over their total income. Regardless of any profit distribution corporate tax is levied at 15% over total income. Effective corporate tax rate is 15,825% since an additional solidarity tax of 5,5% is applied over the calculated corporate tax. In addition to that, trade income tax at an approximate rate of 16% is levied by the local city governance. Accordingly, the total tax burden including all types of tax (corporate tax, solidarity tax and trade income tax) is approximately 32%.

b. Deferred Tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in The Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realised or the liability is settled.

For the periods 2021 and after deferred tax assets and liabilities were measured by 20% tax rate.

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

Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018. Deferred tax calculation is not made for free provisions.

Deferred tax assets and liabilities are presented on a net basis by considering the domestic and foreign branches' financial statements separately.

Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

XVIII. EXPLANATIONS ON BORROWINGS:

Debt instruments with different characteristics such as syndicated and securitized borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Group. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using by "Effective interest rate method".

XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

There is no share certificate issuance in 2018.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments

XXI. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2018 and 31 December 2017, there is no government grant for the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING:

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

c. for which discrete financial information is available.

Reporting according to the operational segments is presented in Note IX of Section Four.

XXIII. PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

The Ordinary General Assembly Meeting of the Bank was held on 26 March 2018. In the Ordinary General Assembly, it was decided to distribute a TL 1.600.000 cash dividend over the TL 6.039.069 net income from 2017 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 7.123 to special funds account under other capital reserves, to allocate TL 140.000 as legal and TL 4.291.946 as extraordinary reserves.

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XXIV. EARNINGS PER SHARE:

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

	Current Period 31 December 2018
Net Profit for the Year	5.709.153
Average Number of Issued Common Shares (Thousand)	400.000.000
Earnings Per Share (Amounts presented as full TL)	**0,01427**
	Prior Period 31 December 2017
Net Profit for the Year	6.020.273
Average Number of Issued Common Shares (Thousand)	400.000.000
Earnings Per Share (Amounts presented as full TL)	**0,01505**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares issued in 2018 (2017: None).

XXV. RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411 are deemed as related parties. Transactions with related parties are presented in Note VI of Section Five.

XXVI. CASH AND CASH EQUIVALENT ASSETS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. RECLASSIFICATIONS:

In order to be consistent with the presentation of financial statements dated 31 December 2018, there are certain reclassifications made on cash flows statement dated 31 December 2017.

XXVIII. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDART:

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 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

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

Classification and measurement of financial assets

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 (SPPI).

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Group fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortised cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Significant increase in credit risk:

If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the stage II. For stage I loans expected loss (provision) amounts are calculated for 1-year and for stage II loans expected loss (provision) is calculated for the remaining life of the loan.

In addition, the key considerations in determining whether a significant increase in the credit risk of financial asset and transferring it to stage 2, but are not limited with these, the following;

- Number of over due date is 30 or more
- Restructuring of loans
- If the loan classified as under follow-up
- Assessment of significant increase in the probability of impairment based on rating notes.

Definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from bank's internal rating-based credit rating models and probability of default on reporting date. If the loan's estimated probability of default on reporting date exceeds the threshold values determined, it is considered to be worsening of the probability of default.

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Explanations of the effect from Bank's application of TFRS 9 can be found below:

a. Classification and measurement of financial assets:

	Before TFRS 9		In scope of TFRS 9	
Financial assets	**Measurement Bases**	**Book value 31 December 2017**	**Measurement Bases**	**Book value 1 January 2018**
Cash and Balances with the Central Bank	Measured at amortised cost	35.363.176	Measured at amortised cost	35.363.176
Banks and Money Markets	Measured at amortised cost	11.582.075	Measured at amortised cost	11.582.075
Marketable Securities	Fair value through profit and loss	39.890	Fair value through profit and loss	124.755
	Fair value through other comprehensive income	42.829.788	Fair value through other comprehensive income	47.814.376
	Measured at amortised cost	18.883.032	Measured at amortised cost	13.956.847
Derivative Financial Assets	Fair value through profit and loss	9.320.885	Fair value through profit and loss	9.320.885
	Fair value through other comprehensive income	131.448	Fair value through other comprehensive income	131.448
Loans (Gross)	Measured at amortised cost	213.858.481	Measured at amortised cost	213.858.481

b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9:

Financial Instruments	**Book Value before TFRS 9 31 December 2017**	**Reclassifications**	**Remeasurements**	**Book value after TFRS 9 1 January 2018**
Measured at amortised cost				
Balance before classification (held-to-maturity)	18.883.032	-	-	-
Classified to Fair Value Through Other Comprehensive Income		(4.927.185)		
Book value after classification	-		-	13.956.847
Fair value through P/L				
Balance before classification (for trading purpose)	39.890	-	-	-
Classified from from available sale	-	84.865	-	-
Book value after classification	-	-	-	124.755
Fair Value Through Other Comprehensive Income				
Book value before classification(available-for-sale)	42.829.788	-	-	-
Classified from held-to-maturity	-	4.927.185	-	-
Available-for-sale financial assets valuation difference	-	-	142.269	-
Financial Assets At Fair Value Through Profit Or Loss	-	(84.865)	-	-
Book value after classification	-	-	-	47.814.377

The reasons for the classification of certain financial assets held by the Group as above in accordance with the TFRS 9 classification and measurement provisions are explained below:

1. Financial assets classified as fair value through other comprehensive income according to TFRS 9:

The Group has reassessed the management model for the collection of contractual cash flows in the security portfolio or for the sale of the financial assets and cash flows depending on the contract. The Bank has classified the securities portfolio amounting TL 4.927.185, which were classified as measured at amortised cost, as fair value through other comprehensive income due to the reason that appropriate management model of those marketable securities have the purpose of collecting cash flows or selling financial assets.

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

The Group has classified equity securities amounting to TL 84.865, which were classified as available-for-sale financial assets to designated at fair value through profit or loss as of the first application date of TFRS 9.

3. Classification of financial instruments based on equity in accordance with TFRS 9 standard:

The Group has decided to allocate the strategic investments to financial instruments based on equity which are not traded in the organized markets, that were previously classified as available-for-sale, as Designated at Fair Value Through Other Comprehensive Income irrevocably. The fair value changes of those marketable securities is not reclassified to profit and loss when they are sold.

4. Reclassification of categorised items without a change in measurement:

In addition to the statements above, since the previous categories under IAS 39 of the debt instruments below were "out of action" under IAS 39 , the following borrowing instruments are reclassified in new categories under TFRS 9 without changing any measurement principles.

(i) Previously classified as "available-for-sale" and as of 1 January 2018 classified as "Fair Value Through Other Comprehensive Income".

(ii) Previously classified as held-to-maturity and as of 1 January 2018 classified as "measured at amortised cost".

c. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

The table below shows the reconciliation of the provision for impairment of the Group as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	**7.069.820**	**79.061**	**7.148.882**
Stage 1	964.316	(271.288)	693.028
Stage 2	121.358	2.389.069	2.510.428
Stage 3	4.536.546	(591.120)	3.945.426
Other (*)	1.447.600	(1.447.600)	-
Financial Assets (**)	**89.369**	**(2.629)**	**86.740**
Non-Cash Loans (***)	**131.983**	**11.078**	**143.061**
Stage 1 and 2	64.229	18.302	82.531
Stage 3	67.754	(7.224)	60.530
Total	**7.291.172**	**87.510**	**7.378.683**

(*) As of 31 December 2017 the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no: 29918. The Bank's provision ratios are over these minimum ratios. Surplus provision amount of TL 1.4 billion (full TL amount) over the minimum provision ratios is included in the "Other" line on the table above.
(**) Within the scope of TFRS 9, provisions include provisions for Amortised Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.
(***) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

d. Effects on equity with TFRS 9 transition:

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to IFRS 9 presented in the equity items under the scope of this article are given below.

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The amounting to TL 87.510 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Other Capital Reserves" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018,. Within this scope, deferred tax assets amounting to TL 734.076 have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Other Capital Reserves" in shareholders' equity. For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 144.907 is classified under "Other Capital Reserves" in equity as of 1 January 2018.

Remeasurement difference regarding the after tax effect, amounting TL 110.969, for the securities amounting TL 4.927.185 classified as held to maturity and measured at amortised cost before 1 January 2018 and with the TFRS 9 transition classified as designated fair value through other comprehensive income.

XXIX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

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

The Group categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming at short-term profit making. All regular purchases and sales of trading financial assets are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank. Trading financial assets 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. Interest earned while holding trading financial assets is accounted as interest income and dividends received are included separately in dividend income.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes.

The Group has no financial assets designated as financial assets at fair value through profit or loss.

b. Available-for-sale financial assets:

Available-for-sale financial assets consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Available-for-sale financial assets are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, available-for-sale financial assets are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest rate method and dividend income from equity securities are reflected to income statement. "Unrealized gains and losses" arising from the difference between the amortised cost and the fair value of securities classified as available-for-sale are recognized in the account of "Marketable securities valuation differences" under shareholders' equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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c. Loans and Receivables:

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or available-for-sale financial assets, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "Effective interest rate method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

The Group classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA.

Specific provisions are accounted under "Provision for Loan Losses and Other Receivables" in the income statement and recorded as expense in the related year. If a receivable is collected which is provisioned in the same year, it is deducted from the "Provision for Loan Losses and Other Receivables". If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under "Other Operating Income". Uncollectible receivables are written-off after all the legal procedures are finalized.

d. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortised cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON EQUITY:

Total capital amount and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of 31 December 2018, the current period equity of the Bank has been calculated as TL 50.233.673 (31 December 2017: TL 44.617.132), the capital adequacy ratio is 16,77% (31 December 2017: 15,79%). This ratio is above the minimum ratio required by the legislation.

a. Information about total consolidated capital items:

	Current Period 31 December 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	5.907.551	
Share issue premiums	1.700.000	
Reserves	28.961.397	
Gains recognized in equity as per TAS	4.537.005	
Profit	6.382.004	
Current Period Profit	5.709.166	
Prior Period Profit	672.838	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	3.895	
Minorities' Share	126	
Common Equity Tier 1 Capital Before Deductions	**47.491.978**	
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	295	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	4.034.408	
Improvement costs for operating leasing	33.984	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	570.758	570.758
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	-	
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	**4.639.445**	
Total Common Equity Tier 1 Capital	**42.852.533**	

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I 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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
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 Consolidated 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 Consolidated 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
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)	**42.852.533**	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	4.734.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.650.648	
Tier II Capital Before Deductions	**7.384.648**	
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	**7.384.648**	

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	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	50.233.673	
Total risk weighted amounts	299.614.763	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14,30%	
Tier 1 Capital Adequacy Ratio	14,30%	
Capital Adequacy Ratio	16,77%	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	3,43%	
a) Bank specific total common equity tier 1 capital ratio	1,88%	
b) Capital conservation buffer requirement	0,05%	
c) Systemic significant bank buffer ratio (**)	1,50%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,30%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated 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 Consolidated 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	143.808	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.040.886	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.650.648	
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 January 1, 2018 and January 1, 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 in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.
(**)The deferred tax asset represents the net amount.

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COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.405.892	
Share issue premiums	1.700.000	
Reserves	25.744.393	
Gains recognized in equity as per TAS	2.348.962	
Profit	6.773.168	
Current Period Profit	6.020.273	
Prior Period Profit	752.895	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	3.895	
Minorities' Share	139	
Common Equity Tier 1 Capital Before Deductions	**41.976.449**	
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	20.035	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.446.064	
Improvement costs for operating leasing	19.772	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	339.037	423.796
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	-	
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	**1.824.908**	
Total Common Equity Tier 1 Capital	**40.151.541**	

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ADDITIONAL TIER I 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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
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 Consolidated 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 Consolidated 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	84.759	-
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)	**40.066.782**	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.870.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.686.871	
Tier II Capital Before Deductions	**4.556.871**	
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	**4.556.871**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**44.623.653**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th 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 (-)	6.521	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	44.617.132	
Total risk weighted amounts	282.611.034	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14,21%	
Tier 1 Capital Adequacy Ratio	14,18%	
Capital Adequacy Ratio	15,79%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2,28%	
Capital conservation buffer requirement	1,25%	
Bank specific counter-cyclical buffer requirement	0,03%	
Systemic significant bank buffer ratio	1,00%	
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	6,21%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated 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 Consolidated 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	395.911	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)		
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.686.871	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	2.686.871	
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 January 1, 2018 and January 1, 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 in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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b. Information about instruments that will be included in total capital calculation:

	Current Period 31 December 2018
Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) (CUSIP, ISIN vb.)	XS1574750292 / US00972BAB53
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.630 million TL (in full TL amount)
Nominal value of instrument	2.630 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans (347011 Accounting Number)
Issuance date of instrument	15 March 2017
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 1 day (Maturity date: 16 March 2027)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 16.03.2022. The reimbursement amount is 2.630 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	7,2%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of " Own fund regulation"	The instrument is not in compliant with article numbered 7.

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	Current Period 31 December 2018
Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) (CUSIP, ISIN vb.)	XS1772360803 / US00972BAC37
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.104 million TL (in full TL amount)
Nominal value of instrument	2.104 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans (347011 Accounting Number)
Issuance date of instrument	27 February 2018
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 60 day (Maturity date: 27 April 2028)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 27.04.2023. The reimbursement amount is 2.104 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6,8%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of " Own fund regulation"	The instrument is not in compliant with article numbered 7.

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c. 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 expected credit loss from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts, by reducing 20% each year if the remaining maturity is less than 5 year, are taken into consideration as Tier II Capital. Additionally, the losses reflected to equity under TAS which is subject to deduction from TIER I capital are determined by excluding the losses from cash flow hedging. 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, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

For daily treasury operations limit allocation and follow-up is performed by the Treasury Business Unit.

Credit worthiness of loan and other receivable debtors are watched regularly and in line with related regulations. In case of an increase in credit debtor's risk level credit limits are re-determined or additional guarantee is taken. For new credit accounts, account follow-up documents are taken in accordance with the related regulation.

The explanations on definition of overdue and impaired loans and information related to impairment and loan loss provisions are provided in Note 2-o of Section Four.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	79.167.572	84.611.303
Conditional and unconditional receivables from regional or local governments	26.833	24.897
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	15.754	44.878
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	76.805.618	87.551.098
Conditional and unconditional receivables from corporate	192.130.169	200.635.023
Conditional and unconditional receivables from retail portfolios	87.034.467	92.907.772
Conditional and unconditional receivables secured by mortgages	28.216.164	26.327.274
Past due receivables	3.560.340	1.724.803
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	458.683	336.248
Equity security investments	19.135	33.574
Other receivables	9.746.187	9.550.975
Total	**477.180.922**	**503.747.845**

b. Risk control limits exist that are placed against credit and market risk from of forward transaction and option agreements and other similar agreements. Control limits exist on forward and option agreements and other similar agreements. The undertaken credit risk of these types of instruments is managed together with market risk.

c. The risks of the forward, option and other similar type agreements are followed regulary and as deemed necessary based on the credit risk, the risks are tried to be minimized.

d. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed according to Group's credit risk management and follow-up principles. Relevant customer's financial status and commercial operations are constantly analyzed and payment schedule is closely monitored by related business segment. Monitoring continues until the receivables from the loans are completely collected.

The Group considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

e. The Group's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

When considered within the financial activities of other financial institutions, the Group as an active participant in the national and international banking market is not exposed to a significant credit risk concentration.

As seen in the Group's balance sheet, the ratio of loans under follow-up to total loans is as low as 3,9% (31 December 2017: 2,1%).

f. 1. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans is 36% and 43% respectively (31 December 2017: 32% and 40%).

2. The proportion of the Group's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 66% and 81% (31 December 2017: 62% and 75%).

3. The proportion of the Group's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 24% and 30% respectively. (31 December 2017: 22% and 28%).

g. The Bank provided excpected credit loss provision (Stage 1 and Stage 2) amounting to TL 4.040.886 (31 December 2017: TL 2.686.871).

h. Information on loan types and expected credit loss provisions:

	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
Current Period-31.12.2018	**Balance**	**Excpected Credit Loss**	**Balance**	**Excpected Credit Loss**	**Balance**	**Excpected Credit Loss**	**Balance**	**Excpected Credit Loss**	**Balance**	**Excpected Credit Loss**
Loans	**170.123.945**	**5.576.750**	**30.310.657**	**1.476.364**	**15.543.270**	**928.15**	**6.441.318**	**501.182**	**222.419.190**	**8.482.446**
Stage 1	134.222.324	391.823	25.569.867	179.79	13.096.826	105.19	5.048.008	61.129	177.937.025	737.932
Stage 2	23.328.009	2.257.273	3.572.225	336.29	1.659.792	148.05	792.903	122	29.352.929	2.863.613
Stage 3	5.883.404	2.927.654	1.168.565	960.284	786.652	674.91	600.407	318.053	8.439.028	4.880.901
Financial Assets at FVTPL	6.690.208	-							6.690.208	-
Financial Assets	**76.107.578**	**48.418**	**-**	**-**	**-**	**-**	**-**	**-**	**76.107.578**	**48.418**
Other	**14.475.064**	**59.733**	**-**	**-**	**-**	**-**	**-**	**-**	**14.475.064**	**59.733**
Non-Cash Loans	**52.795.371**	**381.93**	**-**	**-**	**-**	**-**	**-**	**-**	**52.795.371**	**381.93**
Stage 1 and 2	52.614.940	331.189	-	-	-	-	-	-	52.614.940	331.189
Stage 3	180.431	50.741	-	-	-	-	-	-	180.431	50.741
Total	**313.501.958**	**6.066.831**	**30.310.657**	**1.476.364**	**15.543.270**	**928.15**	**6.441.318**	**501.182**	**365.797.203**	**8.972.528**

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a. Information on the expected credit loss of loans (***):

	Stage 1	Stage 2	Stage 3
Opening (1 January 2018)	**693.028**	**2.510.428**	**3.945.426**
Additions (*)	355.165	1.259.527	2.734.051
Disposa l(**)	(183.745)	(209.184)	(187.955)
Effect of change in foreign exchange	34.160	18.947	-
Loans classified under Stage 1 in two periods (Model effect)	49.765	-	-
Loans classified under Stage 1 in two periods (Change in balance effect)	(106.785)	-	-
Transfers from Stage 1 to Stage 2 (Stating and balance change effect)	(106.912)	580.466	-
Loans classified under Stage 2 in two periods (Model effect)	-	495.724	-
Loans classified under Stage 2 in two periods (Change in balance effect)	-	(69.261)	-
Transfers from Stage 2 to Stage 1 (Stating and balance change effect)	14.942	(118.020)	-
Transfers from Stage 1 to Stage 3	(11.685)	-	203.418
Transfers from Stage 2 to Stage 3	-	(32.764)	246.217
Loans classified under Stage 2 in two periods (Change in balance effect)	-	-	(868.526)
Write-offs****	-	(1.572.250)	-
Sold Portfolio effect	-	-	(1.191.731)
Closing (31 December 2018)	**737.932**	**2.863.613**	**4.880.901**

(*)Loans which are not included in the loan portfolio as of 1 January 2018 and included in the credit portfolio and calculated provisions as of 31 December 2018

(**) Loans which are included in the credit portfolio and calculated provisions as of 1 January 2018 but which are not included in the loan portfolio as of 31 December 2018.

(***) In the calculations the transitions between the records in both periods have been considered by making additions and disposals

(****) Within the acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has been write-off the provisions related to cash loan exposure amounted TL 1.598 millon allocated in previous years and TL 1.671 million allocated in current year from Stage 2 provisions. At the same time, the Bank has been transferred TL 3.269 million of related cash loan from stage 2 to stage 3 and subsequently write off TL 3.269 millon.

a. Information on movement of loans (**):

	Stage 1	Stage 2	Stage 3	Total
Opening (1 January 2018)	**199.217.168**	**15.849.303**	**4.532.711**	**219.599.182**
Additions	31.108.506	4.032.481	1.778.981	36.919.968
Disposals	(49.367.833)	(460.025)	(510.910)	(50.338.768)
Sold portfolio	-	-	(1.218.371)	(1.218.371)
Write-offs	-	-	(3.364.826)	(3.364.826)
Transfers to Stage 1	1.843.142	(1.817.092)	434	26.484
Transfers to Stage 2	(18.378.910)	11.746.586	3.958	(6.628.366)
Transfers to Stage 3	(2.449.259)	(4.767.791)	7.217.050	-
Foreign exchange effect	15.964.211	4.769.467	-	20.733.678
Closing	**177.937.025**	**29.352.929**	**8.439.027**	**215.728.981**

(*) Wihin the scope of acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has transferred cash loan risk amounted TL 3.269 millon from "Loans and receviables under follow up" to "Non-performing Loans" and subsequently write off TL 3.269 millon.

(**) Loans classifed at Fair Value Through Profit or Loss are not included.

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i. Information on debt securities, treasury bills and other eligible bills:

Current Period - 31 December 2018	Financial Assets at Fair Value Through P&L (Net)	Financial Assets at Fair Value Through Other Comprehensive Income (Net)	Financial Assets Measured at Amortised Cost (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	253.903	-	253.903
A1, A2, A3	-	239.278	-	239.278
Baa1, Baa2, Baa3	-	266.730	-	266.730
Ba1	-	840	-	840
Ba2	-	62.051	-	62.051
Ba3	22.006	37.193.092	9.754.326	46.969.424
B1, B2, B3	-	6.072.943	2.509.155	8.582.098
Total	**22.006**	**44.088.837**	**12.263.481**	**56.374.324**

Prior Period - 31 December 2017	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	192.304	-	192.304
A1, A2, A3	-	114.203	-	114.203
Baa1, Baa2, Baa3	-	671.056	-	671.056
Ba1	16.459	41.279.319	18.406.623	59.702.401
Ba2	-	196.879	476.409	673.288
Total	**16.459**	**42.453.761**	**18.883.032**	**61.353.252**

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k. Profile on significant risks in significant regions:

Current Period	Risk Categories (*)																	
31 December 2018	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	76.995.418	26.833	10.949	-	-	15.915.706	161.250.081	55.944.935	27.395.994	3.033.045	-	-	-	-	458.683	18.529	9.746.187	350.796.360
European Union Countries	2.170.940	-	-	-	-	31.340.941	7.622.381	20.869	11.903	519.818	-	-	-	-	-	607	-	41.687.458
OECD Countries(**)	-	-	-	-	-	3.576.357	47.605	2.110	3.047	5	-	-	-	-	-	-	-	3.629.124
Off- Shore Regions	-	-	-	-	-	117.626	-	86	228	-	-	-	-	-	-	-	-	117.939
USA, Canada	-	-	-	-	-	9.833.594	342.600	3.164	1.464	9	-	-	-	-	-	-	-	10.180.830
Other Countries	-	-	-	-	-	664.092	1.112.998	9.299	5.044	7.463	-	-	-	-	-	-	-	1.798.895
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**79.166.358**	**26.833**	**10.949**	**-**	**-**	**61.448.315**	**170.375.664**	**55.980.463**	**27.417.679**	**3.560.340**	**-**	**-**	**-**	**-**	**458.683**	**19.135**	**9.746.187**	**408.210.606**

Prior Period	Risk Categories (*)																	
31 December 2017	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	86.930.039	55	17.212	-	-	12.495.657	155.945.615	57.774.085	24.111.784	282.232	-	-	-	-	278.032	101.797	7.832.116	345.768.624
European Union Countries	1.932.778	-	8	-	-	41.985.122	6.033.973	21.141	171.352	-	-	-	-	-	-	161	-	50.144.535
OECD Countries(**)	-	-	-	-	-	1.630.303	1.093.289	3.676	2.053	-	-	-	-	-	-	-	-	2.729.321
Off- Shore Regions	-	-	-	-	-	134.290	134.190	187	266	-	-	-	-	-	-	-	-	268.933
USA, Canada	-	-	-	-	-	2.924.127	112.450	7.779	2.196	-	-	-	-	-	-	-	-	3.046.552
Other Countries	1.544.270	-	-	-	-	845.181	1.360.426	11.516	5.293	-	-	-	-	-	-	-	-	3.766.686
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**90.407.087**	**55**	**17.220**	**-**	**-**	**60.014.680**	**164.679.943**	**57.818.384**	**24.292.944**	**282.232**	**-**	**-**	**-**	**-**	**278.032**	**101.958**	**7.832.116**	**405.724.651**

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

(**) EU countries, OECD countries other than USA and Canada
(***) Assets and liabilities that are not distributed according to a consistent principle

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l. Risk Profile according to sectors and counterparties:

Current Period	Risk Classifications (*)																			
31 December	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	-	-	-	-	-	-	43.730	308.527	80.214	3.985	-	-	-	-	-	-	-	424.317	12.139	**436.456**
Farming and raising livestock	-	-	-	-	-	-	29.791	222.964	59.031	2.812	-	-	-	-	-	-	-	314.449	149	**314.597**
Forestry	-	-	-	-	-	-	2.247	81.739	20.330	1.155	-	-	-	-	-	-	-	104.932	539	**105.470**
Fishing	-	-	-	-	-	-	11.692	3.824	854	18	-	-	-	-	-	-	-	4.936	11.452	**16.389**
Manufacturing	-	-	105	-	-	-	61.321.149	5.365.979	3.764.681	767.910	-	-	-	-	-	-	-	28.440.149	42.779.674	**71.219.824**
Mining	-	-	-	-	-	-	2.345.366	182.586	124.645	4.216	-	-	-	-	-	-	-	780.371	1.876.443	**2.656.813**
Production	-	-	105	-	-	-	38.884.118	5.007.822	3.488.272	319.104	-	-	-	-	-	-	-	21.991.574	25.707.847	**47.699.421**
Electricity, Gas, Water	-	-	-	-	-	-	20.091.665	175.571	151.764	444.589	-	-	-	-	-	-	-	5.668.205	15.195.385	**20.863.589**
Construction	-	-	-	-	-	-	31.259.773	2.664.795	3.967.062	545.375	-	-	-	-	-	-	-	17.566.335	20.870.670	**38.437.005**
Services	1.142	26.833	3.110	-	-	61.413.582	69.284.113	15.708.562	11.192.281	1.758.578	-	-	-	-	-	6.880	-	67.555.790	91.839.290	**159.395.080**
Wholesale and Retail Trade	-	-	86	-	-	-	22.751.575	12.698.399	4.548.214	648.005	-	-	-	-	-	-	-	32.171.130	8.475.149	**40.646.279**
Hotel,Food,Beverage Services	-	-	-	-	-	-	3.849.583	667.979	1.757.253	339.119	-	-	-	-	-	-	-	3.619.896	2.994.038	**6.613.934**
Transportation and Telecommunication	1.123	-	-	-	-	-	12.435.122	1.130.440	255.169	86.853	-	-	-	-	-	-	-	2.258.446	11.650.260	**13.908.706**
Financial Institutions	-	-	-	-	-	61.413.569	22.456.339	37.606	3.696.818	526.883	-	-	-	-	-	5.056	-	25.102.152	63.034.120	**88.136.272**
Real Estate and Lending Services	-	-	-	-	-	-	5.364.827	98.369	250.625	63.633	-	-	-	-	-	-	-	1.115.052	4.662.402	**5.777.454**
Self employment Service	-	-	168	-	-	-	680.523	120.902	128.713	905	-	-	-	-	-	-	-	379.370	551.841	**931.211**
Education Service	18	-	864	-	-	-	276.354	232.764	231.678	54.601	-	-	-	-	-	-	-	698.006	98.273	**796.279**
Health and social Services	1	26.833	1.991	-	-	14	1.469.790	722.102	323.810	38.580	-	-	-	-	-	1.824	-	2.211.738	373.206	**2.584.944**
Other	79.165.216	-	7.735	-	-	34.733	8.466.899	31.932.600	8.413.441	484.492	-	-	-	-	458.683	12.255	9.746.187	91.786.395	46.935.846	**138.722.241**
Total	**79.166.358**	**26.833**	**10.949**	**-**	**-**	**61.448.315**	**170.375.664**	**55.980.463**	**27.417.679**	**3.560.340**	**-**	**-**	**-**	**-**	**458.683**	**19.135**	**9.746.187**	**205.772.986**	**202.437.620**	**408.210.606**

(*)Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
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9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
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Prior Period	Risk Classifications (*)																			
31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (**)	17	TL	FC	Total
Agricultural	1	-	5	-	-	-	79.997	333.747	89.826	40	-	-	-	-	-	-	-	494.262	9.354	**503.616**
Farming and raising livestock	1	-	5	-	-	-	55.088	229.992	68.205	40	-	-	-	-	-	-	-	346.546	6.785	**353.331**
Forestry	-	-	-	-	-	-	24.574	99.409	21.088	-	-	-	-	-	-	-	-	142.502	2.569	**145.071**
Fishing	-	-	-	-	-	-	335	4.346	533	-	-	-	-	-	-	-	-	5.214	-	**5.214**
Manufacturing	11	-	228	-	-	-	54.262.766	5.409.384	3.279.569	15.033	-	-	-	-	-	-	-	28.353.600	34.613.391	**62.966.991**
Mining	-	-	-	-	-	-	1.420.580	152.731	95.186	-	-	-	-	-	-	-	-	687.431	981.066	**1.668.497**
Production	11	-	225	-	-	-	35.517.602	5.125.745	3.027.418	14.643	-	-	-	-	-	-	-	22.533.739	21.151.905	**43.685.644**
Electricity, Gas, Water	-	-	3	-	-	-	17.324.584	130.908	156.965	390	-	-	-	-	-	-	-	5.132.430	12.480.420	**17.612.850**
Construction	-	-	71	-	-	-	28.046.855	2.507.700	3.727.479	256	-	-	-	-	-	-	-	16.222.119	18.060.242	**34.282.361**
Services	1.965	51	4.487	-	-	59.981.050	73.741.130	16.642.733	7.866.785	166.152	-	-	-	-	278.032	6.880	-	62.018.413	96.670.852	**158.689.265**
Wholesale and Retail Trade	60	10	145	-	-	-	25.679.179	13.512.589	4.954.613	12.383	-	-	-	-	-	-	-	35.441.256	8.717.723	**44.158.979**
Hotel,Food,Beverage Services	3	-	33	-	-	-	3.658.648	675.202	1.204.706	152.623	-	-	-	-	-	-	-	2.980.895	2.710.320	**5.691.215**
Transportation and Telecommunication	1.749	-	9	-	-	-	10.683.392	1.226.804	282.596	995	-	-	-	-	-	-	-	2.760.249	9.435.296	**12.195.545**
Financial Institutions	6	4	19	-	-	59.981.050	27.072.599	15.617	448.615	-	-	-	-	-	278.032	5.056	-	16.456.382	71.344.616	**87.800.998**
Real Estate and Lending Services	-	-	17	-	-	-	3.177.591	90.625	307.056	-	-	-	-	-	-	-	-	1.052.858	2.522.431	**3.575.289**
Self employment Service	-	-	34	-	-	-	567.948	139.486	40.064	-	-	-	-	-	-	-	-	261.386	486.146	**747.532**
Education Service	110	-	1.152	-	-	-	403.697	195.425	138.491	-	-	-	-	-	-	-	-	669.551	69.324	**738.875**
Health and social Services	37	37	3.078	-	-	-	2.498.076	786.985	490.644	151	-	-	-	-	-	1.824	-	2.395.836	1.384.996	**3.780.832**
Other	90.405.110	4	12.429	-	-	33.630	8.549.195	32.924.820	9.329.285	100.751	-	-	-	-	-	95.078	7.832.116	91.797.959	57.484.459	**149.282.418**
Total	**90.407.087**	**55**	**17.220**	**-**	**-**	**60.014.680**	**164.679.943**	**57.818.384**	**24.292.944**	**282.232**	**-**	**-**	**-**	**-**	**278.032**	**101.958**	**7.832.116**	**198.886.353**	**206.838.298**	**405.724.651**

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

(**) Equity security transactions has been added to the risk classes in the current period. Prior period balances are presented under "Other Receivables"

m. Term distribution of risks with term structure:

31 December 2018	Time to Maturity					
Risk Categories	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Conditional and unconditional receivables from central governments and Central Banks	5.319.988	28.712.492	2.723.505	1.570.648	40.839.725	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	26.833	-
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	3.379	322	1.381	235	5.632	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	23.232.141	2.033.591	3.380.892	7.909.340	24.892.351	-
Conditional and unconditional receivables from corporates	9.271.784	13.805.841	13.261.463	32.828.118	101.208.459	-
Conditional and unconditional receivables from retail portfolios	1.181.185	1.917.924	16.627.409	6.049.267	30.204.677	-
Conditional and unconditional receivables secured by mortgages	496.703	728.052	1.175.528	2.909.950	22.107.446	-
Past due receivables	-	-	-	-	-	3.560.340
Receivables defined under 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	452.558	6.126	-	-	-	-
Equity security investments	19.135	-	-	-	-	-
Other Receivables	-	-	-	-	-	9.746.187
Total	**39.976.873**	**47.204.348**	**37.170.178**	**51.267.558**	**219.285.122**	**13.306.527**

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n. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

Ratings given by Fitch Ratings are used in determining risk weight class of the counterparties. The ratings of Fitch Ratings are used for Banks and Corporate Receivables asset class and are limited to receivables that have counterparties abroad. If the risk weight class solely consists of receivables from central governments and central banks, the credit ratings of the countries are taken into account. Below are the Credit Quality Degrees corresponding to Fitch Ratings.

Ratings to be matched	Credit Quality Degrees	Fitch
Ratings of long-term credits	1	AAA ilâ AA-
	2	A+ ilâ A-
	3	BBB+ ilâ BBB-
	4	BB+ ilâ BB-
	5	B+ ilâ B-
	6	CCC+ ve aşağısı
Ratings of short-term credits	1	F1+ ilâ F1
	2	F2
	3	F3
	4	F3 aşağısı
	5	---
	6	---
Long-term securitization position ratings	1	AAA ilâ AA-
	2	A+ ilâ A-
	3	BBB+ ilâ BBB-
	4	BB+ ilâ BB-
	5	B+ ve aşağısı
Short-term securitization position ratings	1	F1+ ilâ F1
	2	F2
	3	F3
	Diğerleri	F3 aşağısı
Matchings regarding collective investment institutes	1	AAA ilâ AA-
	2	A+ ilâ A-
	3	BBB+ ilâ BBB-
	4	BB+ ilâ BB-
	5	B+ ilâ B-
	6	CCC+ ve aşağısı

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Risk amounts according to risk weights:

31 December 2018	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted rom Equity
Risk Weights												
Amount Before Credit Risk Mitigation	67.351.268	-	25.498.146	-	26.248.510	68.029.278	219.703.403	1.379.999	-	-	-	3.508
Amount After Credit Risk Mitigation	72.766.696	-	23.662.801	11.266.221	27.726.700	51.126.447	202.145.038	1.379.999	-	-	-	3.508

o. Miscellaneous information regarding important sectors or counterparty type:

	Loans		Provisions(*)
		Impaired	
31 December 2018 Sectors/Counterparties	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III / Specific Provision)	Expected Credit Loss Provisions
Agricultural	72.949	12.161	14.194
Farming and raising livestock	65.361	8.698	11.041
Forestry	6.851	3.291	2.980
Fishing	737	172	173
Manufacturing	4.670.096	1.764.405	1.755.074
Mining	427.353	42.603	115.327
Production	2.399.175	925.008	842.658
Electricity, Gas, Water	1.843.568	796.794	797.089
Construction	6.968.175	1.111.111	1.174.239
Services	11.172.804	3.425.132	2.555.206
Wholesale and Retail Trade	3.004.901	1.800.721	1.411.688
Hotel, Food, Beverage Services	817.116	453.680	236.910
Transportation and Telecommunication	366.597	195.173	125.997
Financial Institutions	6.415.828	613.231	432.482
Real Estate and Lending Service	89.832	144.627	87.447
Self Employment Service	30.019	4.916	6.236
Education Service	93.050	104.043	55.431
Health and social services	355.461	108.741	199.015
Other	6.467.410	2.126.219	2.245.801
Total	**29.351.434**	**8.439.028**	**7.744.514**

(*) Breakdown of cash loans

p. Information related to impairment and loan loss provisions:

31 December 2018	Openning balance (Before TFRS 9) 31 December 2017	Remeasurement	Openning balance (After TFRS 9) 1 January 2018	Provisions reserved during the period	Provision reversals	Other adjustments (*)	Closing balance
Specific Provisions (Stage 3)	4.536.546	(591.120)	3.945.426	7.427.535	(1.908.857)	(4.583.203)	4.880.901
Excpected Credit Losses (Stage 1 and Stage 2)	2.533.274	670.181	3.203.455	398.090	-	-	3.601.545

(*) Presents the Write-Offs and Sales from Loans under Follow-up portfolio.

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r. Risk involved in counter-cyclical capital buffer calculation:

	31 December 2018		
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	202.347.935	10.004.193	212.352.128
İrlanda	5.414.094	-	5.414.094
Holland	1.855.771	53.556	1.909.327
Russian Federation	573.001	-	573.001
USA	455.188	14.055	469.243
Croatia	329.545	-	329.545
United Arab Emirates	319.535	-	319.535
Egypt	227.211	53	227.264
Switzerland	163.778	-	163.778
Marshall Islands	138.207	23.014	161.221
Others	274.387	29	274.416

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Group's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Bank keeps the foreign exchange exposure amount within the limits set by the ERC. The ERC, taking into account the economic conditions and market developments, sets a limit for the size of a foreign exchange exposure.

Those limits are individually determined and followed for both the net overall foreign currency position and for the foreign exchange exposure. Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

The Parent Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	USD	EURO
Balance Sheet Evaluation Rate	5,2600 TL	6,0182 TL
1.Day bid rate	5,2609 TL	6,0280 TL
2.Day bid rate	5,2609 TL	6,0280 TL
3.Day bid rate	5,2609 TL	6,0280 TL
4.Day bid rate	5,2889 TL	6,0245 TL
5.Day bid rate	5,2832 TL	6,0185 TL

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD : TL 5,3045
EURO : TL 6,0400

As of 31 December 2018;

	USD	EURO
Balance Sheet Evaluation Rate	TL 3,7400	TL 4,4773

Information related to Group's Currency Risk:

The table below summarizes the Group's net foreign currency position, categorized by currency. Foreign currency indexed assets are classified as Turkish Lira assets according to the Uniform Chart of Accounts. In currency risk calculation, foreign currency indexed assets are considered as foreign currency items. In accordance with the "Communiqué on Calculation of Foreign Currency Net Position/Capital Standard Ratio by banks in stand-alone and consolidated basis"; prepaid expenses in assets and expected credit loss for loans classified under Stage I and Stage II and shareholders' equity in liabilities are excluded in the currency risk calculation. Therefore, there are differences between the amounts of foreign currency denominated assets and liabilities demonstrated on the table below and the amounts on the balance sheet.

Current Period – 31 December 2018	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank (**)	9.326.100	12.382.346	3.680.044	25.388.490
Banks	4.107.382	13.347.369	1.492.441	18.947.192
Financial Assets at Fair Value through Profit or Loss (Net)	-	137.461	-	137.461
Interbank Money Market Placements	-	539.374	-	539.374
Available-for-sale Financial Assets (Net)	5.391.376	13.703.750	623.000	19.718.126
Loans (*****)	47.130.022	43.377.526	41.218	90.548.766
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	951.599	5.369.038	-	6.320.637
Hedging Derivative Financial Assets	337	296.048	68.272	364.657
Tangible Assets (Net)	724	7.039	-	7.763
Intangible Assets (Net)	5.570	24	-	5.594
Other Assets (****)	5.912.694	7.436.714	7.180	13.356.588
Total Assets	**72.825.804**	**96.596.689**	**5.912.155**	**175.334.648**
Liabilities				
Bank Deposits (**)	2.297.302	2.089.238	1.917.785	6.304.325
Foreign Currency Deposits (**)	39.683.901	76.413.283	4.843.763	120.940.947
Funds from Interbank Money Market	1.212.378	9.144.340	-	10.356.718
Borrowings	10.451.055	32.440.600	1.515	42.893.170
Marketable Securities Issued (Net) (***)	60.868	12.805.970	134.358	13.001.196
Miscellaneous Payables	2.451.422	840.953	5.739	3.298.114
Hedging Derivative Financial Liabilities	-	41.041	-	41.041
Other Liabilities	1.002.239	1.135.127	70.137	2.207.503
Total Liabilities	**57.159.165**	**134.910.552**	**6.973.297**	**199.043.014**
Net on Balance Sheet Position	**15.666.639**	**(38.313.863)**	**(1.061.142)**	**(23.708.366)**
Net off-Balance Sheet Position (*)	**(13.231.096)**	**38.120.115**	**831.974**	**25.720.994**
Financial Derivative Assets	33.384.001	107.101.730	3.366.893	**143.852.624**
Financial Derivative Liabilities	46.615.095	68.981.615	2.534.919	**118.131.630**
Non-cash Loans	**13.863.804**	**16.296.526**	**513.021**	**30.673.351**
Prior Period - 31 December 2017				
Total Assets	59.054.320	92.899.652	6.157.739	**158.111.711**
Total Liabilities	58.556.164	117.832.888	4.483.551	**180.872.603**
Net on-Balance Sheet Position	**498.156**	**(24.933.236)**	**1.674.188**	**(22.760.892)**
Net off-Balance Sheet Position (*)	**124.378**	**25.986.201**	**(1.691.694)**	**24.418.885**
Financial Derivative Assets	34.312.853	71.877.089	3.153.372	**109.343.314**
Financial Derivative Liabilities	34.188.475	45.890.888	4.845.066	**84.924.429**
Non-cash Loans	**11.770.459**	**18.137.662**	**407.820**	**30.315.941**

(*) Presents the net balance of receivables and payables from derivative transactions. Foreign Exchange spot dealings shown under "Asset purchase commitments" in the financial statements are included in the net off-balance sheet position.
(**) Of the Cash Equivalents and Central Bank and Other FC, TL 3.490.205 (31 December 2017: TL 5.220.523) of the foreign currency deposits TL 2.484.399 (31 December 2017: TL 1.451.430) and Bank Deposits Other FC of the TL 1.892 (31 December 2017: TL 1.426) are precious metal deposit account in demand.
(***) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(****) Trading derivative financial assets are classified under other assets and prepaid assets amounted TL 86.577 (31 December 2017: TL 67.506) is excluded in the financial statements.
(*****) The foreign currency indexed loans balance in the Turkish Lira accounts is TL 3.062.779 (31 December 2017: TL 4.511.626)

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Currency risk sensitivity analysis:

The following table details the Parent Bank's sensitivity to a 10% change in exchange rates:

	Effect on Profit/Loss(*)
	Current Period
Change in exchange rate	**31 December 2018**
(+) 10%	11.818
(-) 10%	(11.818)

(*) Presents amounts before Tax.

	Effect on Profit/Loss(*)
	Prior Period
Change in exchange rate	**31 December 2017**
(+) 10%	91.810
(-) 10%	(91.810)

(*) Presents amounts before Tax.

IV. EXPLANATIONS ON INTEREST RATE RISK:

"Interest Rate Risk" can be defined as the impact of interest rate changes on interest-sensitive asset and liability items of both on and off-balance sheets of the Group. The ERC sets limits for the interest rate sensitivity of on and off-balance sheet items and the sensitivity is closely monitored and reported weekly. In the case of high market fluctuations, daily transaction based reporting and analyses are made.

The Group manages the interest rate risk on a portfolio basis and tries to minimize the risk effect on the profitability, financial exposure and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, or varying the rates for the short or long-term positions are applied actively.

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

Current Period – 31 December 2018	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	14.451.277	-	-	-	-	15.662.547	**30.113.824**
Banks	5.669.725	691.374	-	-	-	12.598.299	**18.959.398**
Financial Assets at Fair Value Through Profit or Loss (Net)	7.759	4.134	10.113	-	-	156.810	**178.816**
Interbank Money Market Placements	544.657	-	-	-	-	-	**544.657**
Financial Assets at Fair Value Other Comprehensive Income (Net)	3.678.381	4.880.167	13.649.466	15.263.375	6.617.448	251.205	**44.340.042**
Loans (***)	58.270.975	25.574.235	58.416.662	63.467.197	7.843.859	363.816	**213.936.744**
Financial Asset measured at amortised cost (Net)	2.486.106	1.484.991	4.220.066	2.968.019	1.104.299	-	**12.263.481**
Other Assets (****)	6.154.935	10.223.954	5.407.231	2.593.071	2.392.992	7.572.465	**34.344.648**
Total Assets	**91.263.814**	**42.858.855**	**81.703.538**	**84.291.662**	**17.958.598**	**36.605.142**	**354.681.610**
Liabilities							
Bank Deposits	4.793.806	1.364.602	406.303	-	-	1.486.674	**8.051.385**
Other Deposits	113.941.371	24.915.246	18.030.445	5.511.751	535.332	37.644.369	**200.578.514**
Funds from Interbank Money Market	6.411.083	4.890.617	2.529.534	443.782	-	-	**14.275.016**
Miscellaneous Payables	1.144.009	1.264.025	730.525	186.714	4.232	4.679.675	**8.009.180**
Marketable Securities Issued (Net) (*)	764.991	2.408.787	566.668	6.802.096	7.313.382	-	**17.855.924**
Borrowings	6.007.889	28.133.604	8.091.870	1.220.030	196.490	-	**43.649.883**
Other Liabilities (**)	3.295.363	5.533.259	3.363.956	991.854	90.491	48.986.785	**62.261.708**
Total Liabilities	**136.358.512**	**68.510.140**	**33.719.301**	**15.156.227**	**8.139.927**	**92.797.503**	**354.681.610**
Balance Sheet Long Position	-	-	47.984.237	64.816.933	10.184.783	-	**126.938.343**
Balance Sheet Short Position	(45.094.697)	(25.651.285)	-	-	-	(56.192.361)	**(126.938.343)**
Off-balance Sheet Long Position	9.526.754	12.226.615	-	1.712.968	1.699.121	-	**25.165.458**
Off-balance Sheet Short Position	-	-	(11.734.925)	-	-	-	**(11.734.925)**
Total Position	**(35.567.943)**	**(13.424.670)**	**36.249.312**	**70.848.403**	**11.517.792**	**(56.192.361)**	**13.430.533**

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.
(***) Non-performing loans net-off related provision for expected loss of stage 3 loans an expected losses for stage 1 and stage 2 are presented in "non-interest bearing" column. Despite the fact that interest accrued is accounted for non-performing loans since 1 January 2018, these amounts are included in "non-interest bearing" in the lack of other relevant column.
(****) Trading derivative financial assets are classified under other assets.

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Prior Period – 31 December 2017	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	22.746.114	-	-	-	-	12.617.062	**35.363.176**
Banks	1.717.994	715.305	8.190	-	-	7.588.240	**10.029.729**
Financial Assets at Fair Value Through Profit or Loss (Net)	2.129.012	601.972	997.618	3.118.746	1.271.347	237.244	**8.355.939**
Interbank Money Market Placements	1.552.346	-	-	-	-	-	**1.552.346**
Available-for-sale Financial Assets (Net)	2.741.826	4.194.516	11.749.801	16.282.390	7.485.228	376.027	**42.829.788**
Loans	47.002.505	29.609.725	53.475.551	69.485.600	9.752.389	152.619	**209.478.389**
Held-to-maturity Investments (Net)	2.548.880	3.854.641	2.623.044	8.897.479	958.988	-	**18.883.032**
Other Assets	1.485.306	1.267.210	1.286.805	3.910.183	948.012	6.220.042	**15.117.558**
Total Assets	**81.923.983**	**40.243.369**	**70.141.009**	**101.694.398**	**20.415.964**	**27.191.234**	**341.609.957**
Liabilities							
Bank Deposits	9.142.618	2.946.956	651.894	-	-	1.187.569	**13.929.037**
Other Deposits	110.630.292	21.596.675	14.287.831	6.693.448	596.050	33.722.195	**187.526.491**
Funds from Interbank Money Market	10.389.624	14.217.274	4.420.744	-	-	330.156	**29.357.798**
Miscellaneous Payables	564.066	523.969	439.295	106.715	-	5.007.045	**6.641.090**
Marketable Securities Issued (Net)	1.531.445	4.873.764	2.104.041	4.367.000	4.879.974	-	**17.756.224**
Borrowings	2.970.947	22.192.051	6.386.128	1.822.433	255.640	-	**33.627.199**
Other Liabilities (*)	567.653	1.252.877	1.116.185	2.219.502	875.855	46.740.046	**52.772.118**
Total Liabilities	**135.796.645**	**67.603.566**	**29.406.118**	**15.209.098**	**6.607.519**	**86.987.011**	**341.609.957**
Balance Sheet Long Position	-	-	40.734.891	86.485.300	13.808.445	-	**141.028.636**
Balance Sheet Short Position	(53.872.662)	(27.360.197)	-	-	-	(59.795.777)	**(141.028.636)**
Off-balance Sheet Long Position	6.871.805	21.147.637	193.808	-	-	-	**28.213.250**
Off-balance Sheet Short Position	-	-	-	(19.495.499)	(5.994.678)	-	**(25.490.177)**
Total Position	**(47.000.857)**	**(6.212.560)**	**40.928.699**	**66.989.801**	**7.813.767**	**(59.795.777)**	**2.723.073**

(*) Shareholders' equity is presented under "Other liabilities" item in "Non-interest bearing".

b. Average interest rates for monetary financial instruments (%):

Average interest rates in the above tables are the weighted average rates of the related balance sheet items.

Current Period – 31 December 2018	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	2,00	-	13,00
Banks	0,22	2,35	-	23,83
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	13,22
Interbank Money Market Placements	-	2,27	-	23,64
Available-for-sale Financial Assets (Net)	2,38	4,55	3,09	20,97
Loans	4,28	7,26	9,06	18,41
Held-to-maturity Investments (Net)	3,58	4,89	-	26,70
Liabilities				
Bank Deposits (**)	0,26	3,51	-	22,55
Other Deposits (**)	0,90	3,42	0,01	17,18
Funds from Interbank Money Market	0,15	3,19	-	23,80
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net) (*)	4,00	5,63	1,29	19,42
Borrowings	2,32	4,57	-	14,04

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Demand deposit balances are included in average interest rate calculation.

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Prior Period – 31 December 2017	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	1,50	-	7,83
Banks	0,10	1,79	-	16,21
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	16,16
Interbank Money Market Placements	-	-	-	14,21
Available-for-sale Financial Assets (Net)	2,47	4,20	3,09	12,48
Loans	3,73	5,93	4,24	14,55
Held-to-maturity Investments (Net)	3,62	4,11	-	13,22
Liabilities				
Bank Deposits (**)	0,49	1,97	-	10,81
Other Deposits (**)	1,02	2,76	0,04	10,52
Funds from Interbank Money Market	1,92	2,39	-	12,62
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net) (*)	4,00	5,44	1,29	12,79
Borrowings	1,23	3,29	-	8,54

(*) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(**) Demand deposit balances are included in average interest rate calculation.

V. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES:

The Bank doesn't have any subsidiaries and affiliates that are traded on the "BIST".

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. Liquidity risk arises from situations in which the Bank is unable to meet the cash outflows with its cash sources and borrowing opportunities over collateralizing marketable securities, in case of sudden fund withdrawals by the individual/institutional funders of the Bank.

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

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet Bank's liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank has capacity to meet a high risk with broad and stable deposit, strong base capital structure and diversified foreign borrowing sources and is capable of providing additional liquidity with high quality liquid securities in its portfolio and available limits at both the Central Bank of Turkey and other Money markets.

Management of liquidity risk is shared by the ERC, ALCO, Treasury Department and Risk Management Department. The ERC determines the liquidity management policies and the appropriate liquidity risk level in line with the Bank's risk appetite and monitors whether the liquidity risk is managed under the framework of determined policies and within the defined limits.

The different categories of defined limits are;

- Limits related to wholesale funding sources,
- Limits related to liquid asset buffer,
- Limits related to loan/deposit ratio,
- Limits related to the cash inflows coverage capacity to cash outflows,
- Limits related to cash outflow coverage capacity in the stress environment.

ALCO takes decision to use alternative funding sources, pricing of obtained funds and granted loans, and other decisions of Daily liquidity management. Treasury Department ensures that the Bank meets its short, middle and long term liabilities, with the transactions made in accordance with ALCO decisions order to utilize excess funding or close the funding gap, occurring on foreign currencies or maturity terms. Risk Management Department measures and monitors the liquidity risk, with the reports prepared and analyses made, and informs the top management. Liquidity risk reporting consists of periodic and special purpose reports prepared to be discussed in the ERC and ALCO meetings, stress tests, scenario analyses, risk limit compliance reports and legal liquidity reports.

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b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

Each of the Bank's subsidiaries within the consolidation scope manages its own liquidity. Nevertheless, there are defined limits related to the funding amount that the Bank will provide to a subsidiary, in case of liquidity issues. Cumulative liquidity gap resulted in stress scenarios of subsidiaries, should not exceed the fund limits provided by the Bank.

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

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposits, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury Unit performs necessary work to obtain long term foreign funding.

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Almost all of the Bank's liabilities are in TL, USD or EUR currencies and TL funds comprise of mainly equity and deposits. The Bank's liquidity in TL is managed with repurchase agreements made at CBRT/BIST using high quality securities owned by the Bank. Together with keeping the main purpose as using liabilities in TL in funding assets in TL, foreign currency liabilities are used in creating assets in TL using foreign exchange swaps, when necessary. Liquidity management is performed in the scope of internal risk limits, such as short term borrowing limits from markets determined by the Bank, market concentration limits, liquidity stress scenario, and cumulative liquidity gap.

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration. The Bank has available foreign currency borrowing limits at CBRT/BIST and other banks.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposit.

f) Information on the use of stress tests:

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, ERC and related business units.

g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the ERC. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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Liquidity Coverage Ratio:

		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
	Current Period – 31 December 2018	**TL+FC**	**FC**	**TL+FC**	**FC**
	HIGH QUALITY LIQUID ASSETS (HQLA)				
1	High quality liquid assets			62.115.029	41.023.489
	CASH OUTFLOWS				
2	Retail and Customers Deposits	135.961.243	70.812.253	12.528.138	7.081.225
3	Stable deposits	21.359.720	-	1.067.986	-
4	Less stable deposits	114.601.523	70.812.253	11.460.152	7.081.225
5	Unsecured Funding other than Retail and Small Business Customers Deposits	76.724.402	54.574.871	38.672.168	26.678.979
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	73.644.112	54.302.703	36.742.368	26.408.105
8	Other Unsecured Funding	3.080.290	272.168	1.929.800	270.874
9	Secured funding	-	-	55.501	55.501
10	Other Cash Outflows	62.457.150	40.461.061	52.748.041	31.451.064
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	51.674.570	30.452.091	51.674.570	30.452.091
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	10.782.580	10.008.970	1.073.471	998.973
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	775.027	-	38.751	-
15	Other irrevocable or conditionally revocable commitments	62.153.153	17.346.360	3.107.658	867.318
16	**CASH INFLOWS**			**107.150.257**	**66.134.087**
17	Secured Lending Transactions	3.774.025	3.774.025	-	-
18	Unsecured Lending Transactions	41.387.759	28.394.466	33.782.118	26.630.775
19	Other contractual cash inflows	45.640.815	29.873.356	45.637.514	29.873.279
20	**TOTAL CASH INFLOWS**	**90.802.599**	**62.041.847**	**79.419.632**	**56.504.054**
				Upper limit applied amounts	
21	**TOTAL HQLA STOCK**			**62.115.029**	**41.023.489**
22	**TOTAL NET CASH OUTFLOWS**			**28.967.779**	**16.533.522**
23	**Liquidity Coverage Ratio (%)**			**216,23**	**248,58**

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
	Prior Period – 31 December 2017	**TL+FC**	**FC**	**TL+FC**	**FC**
	HIGH QUALITY LIQUID ASSETS (HQLA)				
1	High quality liquid assets			57.356.860	35.189.011
	CASH OUTFLOWS				
2	Retail and Customers Deposits	116.724.897	51.004.677	10.590.423	5.100.468
3	Stable deposits	21.641.340	-	1.082.067	-
4	Less stable deposits	95.083.557	51.004.677	9.508.356	5.100.468
5	Unsecured Funding other than Retail and Small Business Customers Deposits	68.389.435	39.408.225	35.901.299	20.625.619
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	64.160.093	39.014.358	32.976.990	20.231.814
8	Other Unsecured Funding	4.229.342	393.867	2.924.309	393.805
9	Secured funding			54.653	54.653
10	Other Cash Outflows	63.378.622	37.476.116	55.384.349	29.841.706
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.500.292	28.995.136	54.500.292	28.995.136
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	8.878.330	8.480.980	884.057	846.570
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	687.407	-	34.370	-
15	Other irrevocable or conditionally revocable commitments	59.049.427	16.451.353	2.952.471	822.568
16	**TOTAL CASH OUTFLOWS**			**104.917.565**	**56.445.014**
	CASH INFLOWS				
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	16.928.994	6.286.740	10.858.602	5.049.374
19	Other contractual cash inflows	51.421.592	39.563.176	51.420.709	39.563.159
20	**TOTAL CASH INFLOWS**	**68.350.586**	**45.849.916**	**62.279.311**	**44.612.533**
				Upper limit applied amounts	
21	**TOTAL HQLA STOCK**			**57.356.860**	**35.189.011**
22	**TOTAL NET CASH OUTFLOWS**			**42.638.254**	**14.201.746**
23	**Liquidity Coverage Ratio (%)**			**134,98**	**248,95**

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits, bank deposits, foreign funds and borrowings from banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Periodic increases are observed in the liquidity coverage ratio during the weeks where the foreign currency reserve option is used in reserve requirements in CBRT, high amounts are maintained in bank placements or repurchase agreement volume decreases, on the other hand, fluctuations may occur in the liquidity coverage ratio during the weeks where the share of corporate or bank funds increase, or long term foreign funds which are replaced when due, such as syndicated loans are due in one month. Despite these fluctuations, it is observed that the ratio does not decrease below 154% during the period and remain at a quite higher level that the legal lower limit.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions, especially in foreign exchange swaps cause the foreign currency liquidity coverage ratio to be affected.

The Bank's high quality liquid assets mainly comprise of CBRT accounts by 54% and securities issued by Treasury of Republic of Turkey by 35%. Funding sources are mainly distributed between individual and retail deposits by 59%, corporate deposits by 30%, borrowings from banks by 5% and collateralized borrowings such as repurchase agreements by 2%.

Cash outflow amounting to TL 7,092 million (in full TL amount) is calculated based on the change of margin call amounts of derivative transactions and repurchase agreements during the last two years.

Akbank AG, part of the consolidation group and has an effect on liquidity coverage ratio in respect of its size, is subject to legal liquidity ratio projected by regulatory authority situated in its business location. In respect of its long term deposit insurance and borrowing structure which is hard to withdraw before maturity because of legal regulations, consolidated liquidity coverage ratio is higher than unconsolidated ratio.

In accordance with the "Regulation On Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, liquidity coverage ratio is calculated for the last three months are presented below.

	Current Period - 31.12.2018	
	TL+FC	FC
October	205,37	246,10
November	245,86	274,78
December	197,45	224,87

	Prior Period - 31.12.2017	
	TL+FC	FC
October	135,57	249,01
November	127,11	233,99
December	142,25	263,84

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Breakdown of assets and liabilities according to their outstanding maturities:

Current Period – 31 December 2018	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank	18.742.274	11.232.472	139.078	-	-	-	-	30.113.824
Banks	12.598.299	5.669.725	691.374	-	-	-	-	18.959.398
Financial Assets at Fair Value Through Profit or Loss (Net)	156.810	-	-	10.113	11.893	-	-	178.816
Interbank Money Market Placements	-	544.657	-	-	-	-	-	544.657
Available-for-sale Financial Assets (Net)	251.205	2.941	1.212.652	3.997.085	29.373.727	9.502.432	-	44.340.042
Loans (*****)	407.234	37.596.615	24.049.587	50.028.752	78.223.864	23.674.110	(43.418)	213.936.744
Held-to-maturity Investments (Net)	-	-	678.442	2.840.029	7.640.711	1.104.299	-	12.263.481
Other Assets (*)	358.452	2.921.536	1.098.924	3.471.242	12.851.902	7.980.050	5.662.542	34.344.648
Total Assets	32.514.274	57.967.946	27.870.057	60.347.221	128.102.097	42.260.891	5.619.124	354.681.610
Liabilities								
Bank Deposits	1.486.674	4.793.806	1.364.602	406.303	-	-	-	8.051.385
Other Deposits	40.647.162	110.938.582	24.885.087	18.030.441	5.541.910	535.332	-	200.578.514
Borrowings	-	853.715	3.130.426	19.696.579	13.969.786	5.999.377	-	43.649.883
Funds from Interbank Money Market	-	3.986.527	702.961	1.843.865	5.879.572	1.862.091	-	14.275.016
Marketable Securities Issued (Net) (**)	-	764.991	2.408.787	566.668	6.802.096	7.313.382	-	17.855.924
Miscellaneous Payables	177.393	5.266.600	348.566	474.823	1.157.968	583.830	-	8.009.180
Other Liabilities (***)	16.577	4.972.862	1.918.740	2.569.140	6.429.147	2.568.201	43.787.041	62.261.708
Total Liabilities	42.327.806	131.577.083	34.759.169	43.587.819	39.780.479	18.862.213	43.787.041	354.681.610
Net Liquidity Excess/ (Gap)	(9.813.532)	(73.609.137)	(6.889.112)	16.759.402	88.321.618	23.398.678	(38.167.917)	-
Net Off-balance sheet Position	-	77.620	(1.315.703)	333.174	8.660.889	5.674.553	-	13.430.533
Financial Derivative Assets	-	72.096.655	34.606.471	46.684.420	101.972.261	65.710.763	-	321.070.569
Financial Derivative Liabilities	-	72.019.035	35.922.173	46.351.246	93.311.372	60.036.210	-	307.640.036
Non-cash Loans (****)	-	4.239.932	5.288.100	16.267.385	4.944.533	22.055.421	-	52.795.371
Prior Period - 31 December 2017								
Total Assets	21.089.212	56.004.929	30.183.597	51.539.944	135.644.063	42.232.985	4.915.227	341.609.957
Total Liabilities	37.520.284	134.218.733	39.061.245	33.928.712	43.408.774	12.858.637	40.613.572	341.609.957
Net Liquidity Excess/ (Gap)	(16.431.072)	(78.213.804)	(8.877.648)	17.611.232	92.235.289	29.374.348	(35.698.345)	-
Net Off-balance sheet Position	-	(401.391)	(373.017)	19.810	2.525.235	952.436	-	2.723.073
Financial Derivative Assets	-	42.558.873	22.594.319	41.040.668	101.394.645	39.240.417	-	246.828.922
Financial Derivative Liabilities	-	42.960.264	22.967.336	41.020.858	98.869.410	38.287.981	-	244.105.849
Non-cash Loans (***)	-	3.439.487	5.149.695	17.863.873	5.714.862	19.795.878	-	51.963.795

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column.
(**) Securities issued as subordinated loan classified under subordinated loans in the balance sheet are included.
(***) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.
(****) Amounts related to Letters of Guarantee represent contractual maturity and related amounts. Amounts are demand and can be withdrawn optional.
(*****)The non-performing loans and netted amounts of the third stage expected loss provisions for these loans are stated in the "Unallocatable" column with the first and second stage expected loss provisions for performing loans.

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Breakdown of liabilities due to their remaining contractual maturities:

Current Period - 31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	160.497.771	24.443.993	19.238.430	5.752.733	572.306	**210.505.233**
Funds borrowed from other financial institutions	970.489	3.248.653	19.811.915	17.913.407	6.345.665	**48.290.129**
Funds from interbank money market	3.926.499	837.456	2.055.139	6.320.219	2.077.886	**15.217.199**
Marketable Securities Issued (Net)	626.698	2.583.448	1.142.470	14.146.698	2.880.523	**21.379.837**
Prior Period - 31 December 2017	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Liabilities						
Deposits	154.999.219	24.886.689	15.324.597	6.960.922	639.953	**202.811.380**
Funds borrowed from other financial institutions	557.340	6.506.268	11.836.721	12.258.905	4.485.663	**35.644.897**
Funds from interbank money market	7.638.887	2.511.018	3.359.311	15.507.092	1.688.923	**30.705.231**
Marketable Securities Issued (Net)	1.294.642	5.179.083	2.470.325	5.922.727	3.461.090	**18.327.867**

Breakdown of derivative instruments due to their remaining contractual maturities:

Current Period – 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
– Inflow	65.615.460	52.642.738	27.597.013	15.300.944	1.305.199
– Outflow	(58.693.959)	(47.571.041)	(38.288.605)	(14.507.048)	(1.258.004)
Interest rate derivatives:					
– Inflow	61.522	183.587	902.044	2.343.890	1.115.964
– Outflow	(75.794)	(184.474)	(867.948)	(2.201.300)	(1.028.432)
Derivatives held for hedging					
Foreign exchange derivatives:					
– Inflow	25.513	126.593	5.367.326	8.792.627	5.741.823
– Outflow	(50.097)	(558.905)	(4.720.895)	(7.728.482)	(6.325.470)
Interest rate derivatives:					
– Inflow	34.098	194.215	597.285	1.649.181	443.294
– Outflow	(9.363)	(116.505)	(551.869)	(1.805.732)	(680.984)
Total Inflow	**65.736.593**	**53.147.133**	**34.463.668**	**28.086.642**	**8.606.280**
Total Outflow	**(58.829.213)**	**(48.430.925)**	**(44.429.317)**	**(26.242.562)**	**(9.292.890)**

Prior Period – 31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
– Inflow	39.564.334	21.206.694	38.321.347	40.064.677	6.347.523
– Outflow	(36.054.089)	(21.349.542)	(37.954.967)	(39.064.474)	(5.927.175)
Interest rate derivatives:					
– Inflow	20.561	128.574	516.796	1.842.438	874.125
– Outflow	(22.211)	(130.568)	(531.780)	(1.774.849)	(812.490)
Derivatives held for hedging					
Foreign exchange derivatives:					
– Inflow	4.611	11.232	52.952	3.623.928	-
– Outflow	(20.321)	(42.645)	(184.078)	(2.970.146)	-
Interest rate derivatives:					
– Inflow	11.138	43.687	155.674	745.960	165.899
– Outflow	(12.703)	(55.760)	(151.659)	(656.335)	(167.641)
Total Inflow	**39.600.644**	**21.390.187**	**39.046.769**	**46.277.003**	**7.387.547**
Total Outflow	**(36.109.324)**	**(21.578.515)**	**(38.822.484)**	**(44.465.804)**	**(6.907.306)**

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VII. EXPLANATIONS ON LEVERAGE RATIO:

a. Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2018, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 9,03% (31 December 2017: 8,54%). This ratio is above the minimum ratio which is 3%. The leverage ratio is almost on the same level in the current and prior period.

b. Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS :

		Current Period 31 December 2018 (**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	371.069.543
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	(106.333)
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	5.052.237
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(18.663.166)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.655.423)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	136.053.411
7	Total Risk	491.750.269

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

(**) The arithmetic average of the last 3 months in the related periods.

		Prior Period 31 December 2017 (**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	335.704.036
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.316.761
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.058.535
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(26.625.733)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(908.290)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	147.699.092
7	Total Risk	462.244.401

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

(**) The arithmetic average of the last 3 months in the related periods.

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c. Disclosure of Leverage ratio template :

		Current Period 31 December 2018 (*)
	Balance sheet Assets	
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	
2	(Assets deducted from Core capital)	345.914.898
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	-
	Derivative financial assets and credit derivatives	345.914.898
4	Cost of replenishment for derivative financial assets and credit derivatives	
5	Potential credit risk amount of derivative financial assets and credit derivatives	16.077.472
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	5.052.237
	Financing transactions secured by marketable security or commodity	21.129.709
7	Risk amount of financing transactions secured by marketable security or commodity	
8	Risk amount arising from intermediary transactions	3.552.867
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	-
	Off-balance sheet transactions	3.552.867
10	Gross notional amount of off-balance sheet transactions	
11	(Correction amount due to multiplication with credit conversion rates)	122.808.218
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	(1.655.423)
	Capital and total risk	121.152.795
13	Core Capital	
14	Total risk amount(sum of lines 3, 6, 9 and 12)	44.224.046
	Leverage ratio	491.750.269
15	Leverage ratio	
		9,03

		Prior Period 31 December 2017 (*)
	Balance sheet Assets	
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	327.881.977
2	(Assets deducted from Core capital)	(70.760)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	327.811.217
	Derivative financial assets and credit derivatives	
4	Cost of replenishment for derivative financial assets and credit derivatives	10.069.803
5	Potential credit risk amount of derivative financial assets and credit derivatives	4.058.535
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	14.128.338
	Financing transactions secured by marketable security or commodity	
7	Risk amount of financing transactions secured by marketable security or commodity	5.324.702
8	Risk amount arising from intermediary transactions	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	5.324.702
	Off-balance sheet transactions	
10	Gross notional amount of off-balance sheet transactions	115.888.434
11	(Correction amount due to multiplication with credit conversion rates)	(908.290)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	114.980.144
	Capital and total risk	
13	Core Capital	39.482.908
14	Total risk amount(sum of lines 3, 6, 9 and 12)	462.244.401
	Leverage ratio	
15	Leverage ratio	8,54

(*) Three months average values.

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VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Calculations of financial assets and liabilites at their fair values:

The fair values of financial assets measured at amortised cost are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand deposit represents the amount to be paid upon request. The fair value of the overnight deposit represents the carrying value. The expected fair value of the fixed rate deposit is calculated by discounted cash flow with the use of the market interest rates of similar liabilities and loans.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

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

	Carrying Value	Fair Value
	Current Period 31 December 2018	Current Period 31 December 2018
Financial Assets	**290.044.323**	**279.912.310**
Interbank Money Market Placements	544.658	543.029
Banks	18.959.398	18.946.088
Financial Assets at Fair Value Through Other Comprehensive Income (Net)	44.340.042	44.340.042
Financial Assets Measured at Amortised Cost (Net)	12.263.481	11.858.083
Loans	213.936.744	204.225.068
Financial Liabilities	**276.724.484**	**275.283.210**
Bank Deposits	8.051.385	8.038.247
Other Deposits	200.578.515	200.556.524
Borrowings	43.649.883	42.838.254
Marketable Securities Issued (Net)	13.071.447	12.476.931
Miscellaneous Payables	11.373.254	11.373.254

	Carrying Value	Fair Value
	Prior Period 31 December 2017	Prior Period 31 December 2017
Financial Assets	**282.773.284**	**280.071.246**
Interbank Money Market Placements	1.552.346	1.551.195
Banks	10.029.729	10.029.047
Available-for-Sale Financial Assets (Net)	42.829.788	42.829.788
Held-to-Maturity Investments (Net)	18.883.032	19.082.300
Loans	209.478.389	206.578.916
Financial Liabilities	**257.579.042**	**257.473.719**
Bank Deposits	13.929.037	13.924.107
Other Deposits	187.526.491	187.699.937
Borrowings	33.627.199	33.142.935
Marketable Securities Issued (Net)	15.855.225	16.065.650
Miscellaneous Payables	6.641.090	6.641.090

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

a) Quoted market prices (non-adjusted) (1st level).

b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level).

c) Data not based on observable data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Group according to the foregoing principles is given in the table below:

Current Period - 31 December 2018	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	10.113	-	-	10.113
- Share Certificates	150.684	-	-	150.684
- Other Financial Assets	18.019	-	-	18.019
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	36.502.564	-	-	36.502.564
- Share Certificates	-	-	-	-
- Other Financial Assets	6.637.480	1.186.378	-	7.823.858
Derivative Financial Assets				
- Derivative Financial Assets at Fair Value Through Profit or Loss	1.371	20.614.924	-	20.616.295
- Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	1.989.608	-	1.989.608
Loans (*)	-	197.534.860	6.690.208	204.225.068
Financial Assets Measured at Amortised Cost				
- Government Debt Securities	9.411.205	-	-	9.411.205
- Other Financial Assets	2.446.878	-	-	2.446.878
Total Assets	**55.178.314**	**221.325.770**	**6.690.208**	**283.194.292**
Derivative Financial Liabilities				
- Derivative Financial Liabilities at Fair Value Through Profit or Loss	248	12.179.797	-	12.180.045
- Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	644.958	-	644.958
Deposits	-	208.594.771	-	208.594.771
Funds Borrowed	-	42.838.254	-	42.838.254
Funds from Interbank Money Market	-	13.393.164	-	13.393.164
Securities Issued (Net)	-	17.476.378	-	17.476.378
Total Liabilities	**248**	**295.127.322**	**-**	**295.127.570**

(*) Fair value of the loans classified under level III, has been determined based on results of valuation work that include various valuation technics. The potential changes in the fundamental estimations and assumptions included in the valuation work can affect the carrying fair value of the loan.

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Prior Period - 31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	9.525	-	-	9.525
- Share Certificates	23.431	-	-	23.431
- Trading Derivative Financial Assets	2.328	8.313.721	-	8.316.049
- Other Marketable Securities	-	6.934	-	6.934
Available-For-Sale Financial Assets				
- Government Debt Securities	36.816.619	-	-	36.816.619
- Share Certificates	-	84.865	-	84.865
- Other Marketable Securities	5.777.102	138.027	-	5.915.129
Hedging Derivative Financial Assets	-	1.136.284	-	1.136.284
Loans	-	206.578.916	-	206.578.916
Held To Maturity Investments (Net)				
- Government Debt Securities	15.592.016	-	-	15.592.016
- Other Marketable Securities	3.490.284	-	-	3.490.284
Total Assets	**61.711.305**	**216.258.747**	**-**	**277.970.052**
- Trading Derivative Financial Liabilities	186	5.423.642	-	5.423.828
- Hedging Derivative Financial Liabilities	-	74.911	-	74.911
Deposits	-	201.624.044	-	201.624.044
Funds Borrowed	-	33.142.935	-	33.142.935
Funds from Interbank Money Market	-	28.422.086	-	28.422.086
Securities Issued (Net)	-	16.065.650	-	16.065.650
Total Liabilities	**186**	**284.753.268**	**-**	**284.753.454**

As explained in the note of VII-b of the Third Section, share certificates, that are classified as available-for-sale and are carried at cost less impairment since they are not traded in active markets and their fair values cannot be measured reliably, are not shown in the table above.

There are no transfers between the 1st and the 2nd levels in the current year.

IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

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X. EXPLANATIONS ON RISK MANAGEMENT TARGET AND POLICIES:

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 ratio by the Bank, tables, which have to be prepared within the scope of Internal rating-based (IRB) approach, are not presented.

a. Explanations on Risk Management and Risk Weighted Amount (RWA):

1. The Bank's risk management approach:

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level. General strategies regarding Bank's risk management are given below:

- Effective management of risks within the Bank's risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas .
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank's Board of Directors has the ultimate responsibility for setting up and monitoring the efficiency of such a risk management system. The Board of Directors fulfills its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors approves and regularly reviews Bank's main risk approach, risk principles and policies which are initially discussed and decided by the Executive Risk Committee.

The Board of Directors also determines Bank's risk appetite by risk limits taking market conditions and Bank's risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank's Senior Management is responsible to the Bank's Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner. The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management's responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed. The effectiveness and efficiency of the risk mitigation techniques are regularly monitor.

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2. Overview of RWA:

		Risk Weighted Amount	Minimum capital requirement
		Current Period 31 December 2018	Current Period 31 December 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	248.816.671	19.905.334
2	Standardized approach (SA)	248.816.671	19.905.334
3	Internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	22.807.044	1.824.563
5	Standardized approach for counterparty credit risk (SA-CCR)	22.807.044	1.824.563
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	237.585	19.007
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-
11	Settlement risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach (RBA)	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	5.087.744	407.019
17	Standardized approach (SA)	5.087.744	407.019
18	Internal model approaches (IMM)	-	-
19	Operational Risk	22.665.719	1.813.258
20	Basic Indicator Approach	22.665.719	1.813.258
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)**	**299.614.763**	**23.969.181**

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		Risk Weighted Amount	Minimum capital requirement
		Prior Period 31 December 2017	Prior Period 31 December 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	242.425.715	19.394.057
2	Standardized approach (SA)	242.425.715	19.394.057
3	Internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	15.737.019	1.258.962
5	Standardized approach for counterparty credit risk (SA-CCR)	15.737.019	1.258.962
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	277.987	22.239
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-
11	Settlement risk	625	50
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach (RBA)	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	4.699.434	375.955
17	Standardized approach (SA)	4.699.434	375.955
18	Internal model approaches (IMM)	-	-
19	Operational Risk	19.470.254	1.557.620
20	Basic Indicator Approach	19.470.254	1.557.620
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)**	**282.611.034**	**22.608.883**

b. Linkages between financial statements and regulatory exposures:

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

Legal consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated November 8, 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

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		Carrying values of items				
Current Period - 31.12.2018	**Carrying values as reported in published financial statements (*)**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework (**)**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Cash and Cash Equivalents	30.113.824	30.113.824	-	-	-	-
Banks	18.959.398	18.959.398	-	-	-	-
Money Markets	544.657	544.657	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	178.816	178.816	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive income	44.340.042	44.137.860	-	-	201.887	295
Financial Assets Measured at Amortised Cost	12.263.481	12.263.481	-	-	-	-
Derivative Financial Assets	22.605.903	-	22.605.903		6.356.603	-
Loans (Net)	213.936.744	213.936.744	-	-	-	3.508
Property and Equipment Held For Sale Purpose and Related To Discontinued Operations (Net)	264.384	264.384	-	-	-	-
Investments in Associates (Net)	5.521	5.521	-	-	-	-
Subsidiaries (Net)	-	-	-	-	-	-
Joint Ventures (Net)	-	-	-	-	-	-
Property and Equipment (Net)	3.959.052	3.925.068	-	-	-	33.984
Intangible Assets (Net)	646.193	-	-	-	-	646.193
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	306.034	306.034	-	-	-	-
Deferred Tax Asset	143.808	143.808	-	-	-	-
Other Assets	6.413.756	6.413.756	-	-	-	-
Total assets	**354.681.613**	**331.193.351**	**22.605.903**	**-**	**6.558.490**	**683.980**
Liabilities						
Deposits	208.629.900	-	-	-	-	208.629.900
Funds Borrowed	43.649.883	-	-	-	-	43.649.883
Money Markets	14.275.016	-	14.275.016	-	-	14.275.016
Securities Issued (Net)	13.071.447	-	-	-	-	13.071.447
Funds	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	12.825.003	-	12.825.003	-	3.469.539	12.825.003
Factoring Liabilites	-	-	-	-	-	-
Lease Liabilities (Net)	-	-	-	-	-	-
Provisions	1.342.384	-	-	-	-	1.342.384
Current Tax Liability	530.543	-	-	-	-	530.543
Deferred Tax Liability	412.665	-	-	-	-	412.665
Liabilities For Property and Equipment Held For Sale and Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	4.784.477	-	-	-	-	4.784.477
Other Liabilities	11.373.254	-	-	-	-	11.373.254
Shareholders' Equity	43.787.041	-	-	-	-	43.787.041
Total liabilities	**354.681.613**	**-**	**27.100.019**	**-**	**3.469.539**	**354.681.613**

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks"are represented in "Subject to market risk framework" column.

		Carrying values of items				
Prior Period - 31.12.2017	**Carrying values as reported in published financial statements (*)**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation 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	35.363.176	35.363.176	-	-	-	-
Financial assets held for trading	8.355.939	-	8.355.939	-	3.360.392	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	10.029.729	10.029.729	-	-	-	-
Receivables from money markets	1.552.346	1.552.346	-	-	-	-
Available for sale financial assets (net)	42.829.788	38.759.649	-	-	4.050.104	20.035
Loans and receivables	209.478.389	209.471.868	-	-	-	6.521
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	18.883.032	18.883.032	-	-	-	-
Investments in associates (net)	3.923	3.923	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	5.865.418	5.865.418	-	-	-	-
Derivative financial assets held for hedges	1.136.284	-	1.136.284	-	-	-
Tangible assets (net)	3.425.916	3.406.144	-	-	-	19.772
Intangible assets (net)	478.542	-	-	-	-	478.542
Investment properties (net)	-	-	-	-	-	-
Tax assets	37.525	37.525	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	133.515	133.515	-	-	-	-
Other assets	4.036.435	4.036.435	-	-	-	-
Total assets	**341.609.957**	**327.542.760**	**9.492.223**	**-**	**7.410.496**	**524.870**
Liabilities						
Deposits	201.455.528	-	-	-	-	201.455.528
Derivative financial liabilities held for trading	5.423.828	-	5.423.828	-	2.474.781	5.423.828
Loans	33.627.199	-	-	-	-	33.627.199
Debt to money markets	29.357.798	-	29.357.798	-	-	29.357.798
Debt securities in issue	15.855.225	-	-	-	-	15.855.225
Funds	-	-	-	-	-	-
Various debts	6.641.090	-	-	-	-	6.641.090
Other liabilities	1.178.360	-	-	-	-	1.178.360
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	74.911	-	74.911	-	-	74.911
Provisions	3.860.946	-	-	-	-	3.860.946
Tax liability	1.620.501	-	-	-	-	1.620.501
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	1.900.999	-	-	-	-	1.900.999
Equity	40.613.572	-	-	-	-	40.613.572
Total liabilities	**341.609.957**	**-**	**34.856.537**	**-**	**2.474.781**	**341.609.957**

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks"are represented in "Subject to market risk framework" column.

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

	Current Period - 31.12.2018	**Total**	**Items subject to credit risk framework**	**Items subject to securitisation framework**	**Items subject to counterparty credit risk framework**	**Items subject to market risk framework(*)**
1	**Asset carrying value amount under scope of regulatory consolidation**	**326.981.641**	**331.193.351**	**-**	**22.605.903**	**6.558.490**
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	27.100.019	(3.469.539)
3	**Total net amount under regulatory scope of consolidation**	**326.981.641**	**331.193.351**	**-**	**49.705.922**	**3.088.951**
4	Off-balance sheet amounts	416.934.991	36.349.639			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions		5.648.173			
8	Differences due to prudential filters					1.998.792
9	Differences due to risk reduction		(6.415.738)		(26.407.445)	
10	**Exposure amounts considered for regulatory purposes**		**366.775.425**	**-**	**23.298.477**	**5.087.744**

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

	Prior Period - 31.12.2017	**Total**	**Items subject to credit risk framework**	**Items subject to securitisation framework**	**Items subject to counterparty credit risk framework**	**Items subject to market risk framework(*)**
1	**Asset carrying value amount under scope of regulatory consolidation**	**341.085.087**	**327.542.760**	**-**	**9.492.223**	**7.410.496**
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	34.856.537	(2.474.781)
3	**Total net amount under regulatory scope of consolidation**	**341.085.087**	**327.542.760**	**-**	**44.348.760**	**4.935.715**
4	Off-balance sheet amounts	351.343.730	32.120.272	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7	Differences due to consideration of provisions		4.535.520	-	-	-
8	Differences due to prudential filters		-	-	-	(236.282)
9	Differences due to risk reduction		(8.298.932)	-	(25.607.400)	-
10	**Exposure amounts considered for regulatory purposes**		**355.899.620**	**-**	**18.741.360**	**4.699.433**

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

3. Explanations of differences between accounting and regulatory exposure amounts:

a) Financial and regulatory scope of consolidation:

There is no difference between the financial and regulatory scope of consolidation.

b) Differences between accounting and regulatory exposure amounts:

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

c) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks":

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

c. Credit risk explanations:

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in a such manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Bank. Rating all credit customers is essential for the Bank. Credit ratings are used as the main factor in determining target segments, authority levels, prices, limits and collateralization levels in loan portfolios. Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, customer, credit type and customer segment.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Department conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio.

Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are carried out by the Board of Directors, the Audit Committee, the Executive Risk Committee, Internal Audit, Internal Control, Risk Management activities and Internal Systems Responsible.

The Board of Directors is responsible for determining the risk baseline of the Bank, the risk approach and the level of risk taking. The Board of Directors manages the risks through the Executive Risk Committee. The committee is responsible for

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establishing risk policies, determining methods for measuring and managing risks, and establishing and monitoring appropriate risk limits. All risk policies established by the Executive Risk Committee are written and integrated into the Bank's long-term general strategy.

2. Credit quality of assets:

		Gross carrying values of (according to TAS)			
	Current Period 31.12.2018	Defaulted exposures	Non-defaulted exposures	Allowances/ impairements	Net values
1	Loans	8.439.028	213.980.162	8.482.446	213.936.744
2	Debt Securities	-	56.374.324	48.385	56.325.939
3	Off-balance sheet explosures	258.445	105.646.122	388.224	105.516.343
4	Total	8.697.473	376.000.608	8.919.055	375.779.026

		Gross carrying values of (according to TAS)			
	Prior Period 31.12.2017	Defaulted exposures	Non-defaulted exposures	Allowances/ impairements	Net values
1	Loans	4.532.711	209.325.770	6.877.090	206.981.391
2	Debt Securities	-	61.376.683	62.665	61.314.018
3	Off-balance sheet explosures	180.677	102.222.281	131.060	102.271.898
4	Total	4.713.388	372.924.734	7.070.815	370.567.307

3. Changes in stock of defaulted loans and debt securities:

		Current Period 31.12.2018
1	Defaulted loans and debt securities at end of the previous reporting period	5.141.300
2	Loans and debt securities that have defaulted since the last reporting period	10.048.233
3	Returned to non-defaulted status	26.935
4	Amounts written off	4.583.202
5	Other changes	1.881.922
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	8.697.473

		Prior Period 31.12.2017
1	Defaulted loans and debt securities at end of the previous reporting period	4.465.348
2	Loans and debt securities that have defaulted since the last reporting period	1.897.129
3	Returned to non-defaulted status	68.363
4	Amounts written off	727.153
5	Other changes	853.573
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	4.713.388

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4. Additional disclosure related to the credit quality of assets:
a) Definitions of overdue and provision allocated receivables are presented below:

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired / provision reserved loans."

The Bank calculates general loan loss provision for "overdue loans" and specific provision for "impaired loans" in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

b) The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application:

All loans that have completed the 90 day overdue period are automatically taken into follow-up accounts and they are subjected to specific provision within the related month at the Bank. In exceptional cases, the delinquency process is suspended due to a court decision and the Bank's credit amount in this scope is insignificant as of 31 December 2018.

c) Definitions of the methods used when determining the provision amount, are presented in Note VII-c of SectionThree.
d) Definitions of restructured receivables:

Banks can restructure both the first, second group loans and other receivables as well as non-performing loans and receivables. The first, second group loans and other receivables are restructured to enchance customer's ability to repay the loan. Besides, apart from credit risk, it involves changes in the contractual conditions with the demand of customer. While Non-performing loans and receivables are restructured to ensure the collection of the receivables by changing the cash flow of the loan.

e) Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	Current Period 31.12.2018
Domestic	205.272.380
European Union Countries	7.995.920
OECD Countries (*)	10.757
Off-Shore Banking Regions	-
USA, Canada	39.697
Other	661.408
Total	**213.980.162**

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

	Prior Period 31.12.2017
Domestic	202.239.871
European Union Countries	6.196.128
OECD Countries (*)	8.024
Off-Shore Banking Regions	-
USA, Canada	34.709
Other	847.038
Total	**209.325.770**

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

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Breakdown by sector

	Current Period 31.12.2018
Agricultural	910.917
Farming and raising livestock	616.229
Forestry	286.917
Fishing	7.771
Manufacturing	53.644.811
Mining	2.890.485
Production	33.665.195
Electricity, Gas, Water	17.089.131
Construction	33.913.762
Services	70.868.901
Wholesale and Retail Trade	26.081.774
Hotel,Food,Beverage Services	4.893.307
Transportation and Telecommunication	11.589.738
Financial Institutions	
Real Estate and Lending Services	24.833.186
Self employment Service	304.271
Education Service	711.914
Health and social Services	662.888
Other	1.791.823
Total	**54.641.771**

	Prior Period 31.12.2017
Agricultural	759.616
Farming and raising livestock	502.586
Forestry	245.361
Fishing	11.669
Manufacturing	47.536.046
Mining	1.773.241
Production	30.689.077
Electricity, Gas, Water	15.073.728
Construction	28.929.558
Services	77.375.222
Wholesale and Retail Trade	29.755.919
Hotel,Food,Beverage Services	4.346.000
Transportation and Telecommunication	10.678.338
Financial Institutions	28.276.586
Real Estate and Lending Services	519.587
Self employment Service	605.711
Education Service	624.867
Health and social Services	2.568.214
Other	54.725.328
Total	**209.325.770**

Breakdown by outstanding maturity

Current Period 31.12.2018	Demand Deposit	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	407.234	37.596.615	24.049.587	50.028.752	78.223.864	23.674.110	213.980.162

Prior Period 31.12.2017	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	24.574.530	24.801.566	38.549.688	68.930.492	21.881.987	178.738.263

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

	Current Period-31.12.2018	
	Loans Under Follow-up	Provisions
Domestic	7.855.575	4.804.969
European Union Countries	583.164	75.672
OECD Countries (*)	-	-
Off-Shore Banking Regions	30	28
USA, Canada	164	146
Other	95	86
Total	8.439.028	4.880.901

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

	Current Period-31.12.2017	
	Loans Under Follow-up	Provisions
Domestic	4.531.507	4.378.888
European Union Countries	669	669
OECD Countries (*)	-	-
Off-Shore Banking Regions	30	30
USA, Canada	119	119
Other	386	386
Total	4.532.711	4.380.092

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

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Breakdown by sector:

	Current Period - 31.12.2018	
	Loans Under Follow-up	Provisions
Agricultural	12.161	8.075
Farming and raising livestock	8.698	5.791
Forestry	3.291	2.130
Fishing	172	154
Manufacturing	1.764.405	989.906
Mining	42.603	38.321
Production	925.008	613.309
Electricity, Gas, Water	796.794	338.276
Construction	1.111.111	577.364
Services	3.425.132	1.639.248
Wholesale and Retail Trade	1.800.721	1.132.145
Hotel,Food,Beverage Services	453.680	112.242
Transportation and Telecommunication	195.173	92.163
Financial Institutions	613.231	98.029
Real Estate and Lending Services	144.627	81.011
Self employment Service	4.916	3.973
Education Service	104.043	49.439
Health and social Services	108.741	70.246
Other	2.126.219	1.666.308
Total	8.439.028	4.880.901

	Prior Period - 31.12.2017	
	Loans Under Follow-up	Provisions
Agricultural	12.380	12.380
Farming and raising livestock	9.253	9.253
Forestry	2.397	2.397
Fishing	730	730
Manufacturing	579.096	579.096
Mining	33.009	33.009
Production	532.043	532.043
Electricity, Gas, Water	14.044	14.044
Construction	248.548	248.548
Services	1.497.661	1.345.042
Wholesale and Retail Trade	1.055.767	1.055.767
Hotel,Food,Beverage Services	273.096	120.477
Transportation and Telecommunication	61.036	61.036
Financial Institutions	13.579	13.579
Real Estate and Lending Services	5.923	5.923
Self employment Service	4.556	4.556
Education Service	33.656	33.656
Health and social Services	50.048	50.048
Other	2.195.026	2.195.026
Total	4.532.711	4.380.092

g) Aging analysis for overdue receivables:

	Current Period 31.12.2018
30-60 days overdue	4.268.500
60-90 days overdue	1.676.140
Total	**5.944.640**

	Prior Period 31.12.2017
30-60 days overdue	879.773
60-90 days overdue	572.404
Total	**1.452.177**

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

Restructured Receivables	Current Period 31.12.2018
Loans restructured from Standard Loans and Other Receivables	4.453.627
Loans restructured from Loans underFollow-up and Other Receivables	12.456.701
Loans restructured from Non-Performing Loans	252.881

Restructured Receivables	Prior Period 31.12.2017
Loans restructured from Standard Loans and Other Receivables	3.888.691
Loans restructured from Loans underFollow-up and Other Receivables	3.155.715
Loans restructured from Non-Performing Loans	142.062

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

i) Credit risk mitigation techniques:

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The risk amount and the amount of collateral are also compared against the value losses that may occur in the collateral, and in case of gap between risk and collateral, the Bank Monitoring System automatically generates "Risky Transaction Registration".

In the calculation of capital adequacy ratio, real estate mortgages are subject to valuation process in accordance with the related legislation. There is no physical collateral used for risk reduction other than real estate.

Financial guarantees used in capital adequacy calculations are blocked deposits held at the bank and there is no netting other than these.

Collateral management processes are written in credit policies and checks are made to ensure that there is no concentration of third party guarantor type and collateral.

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5. Credit risk mitigation techniques – overview:

	Current Period - 31.12.2018	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	216.506.037	7.624.676	5.704.796	9.910.626	8.818.566	-	-
2	Debt Securities	56.812.472	-	-	-	-	-	-
3	**Total**	**273.318.509**	**7.624.676**	**5.704.796**	**9.910.626**	**8.818.566**	**-**	**-**
4	Of which defaulted	6.160.968	-	-	-	-	-	-

	Prior Period - 31.12.2017	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	201.224.143	5.757.248	4.465.833	13.741.776	12.319.437	-	-
2	Debt Securities	61.314.018	-	-	-	-	-	-
3	**Total**	**262.538.161**	**5.757.248**	**4.465.833**	**13.741.776**	**12.319.437**	**-**	**-**
4	Of which defaulted	4.713.388	-	-	-	-	-	-

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

The ratings given by the international credit rating agency Fitch Ratings are used to determine the risk weights to be applied in the calculation of capital adequacy. Fitch Ratings are limited to the receivables of the counterparty residing abroad; central government or central banks, banks and corporate receivables.

7. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

	Current Period - 31.12.2018	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	75.742.406	3.425.166	84.432.566	149.220	16.719.246	19,77%
2	Exposures to regional governments or local authorities	26.833	-	26.833	-	13.416	50,00%
3	Exposures to public sector entities	5.600	10.154	5.306	2.066	7.372	100,00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	34.531.326	42.274.292	34.531.326	17.769.900	26.508.607	50,68%
7	Exposures to corporates	133.788.589	58.341.580	124.926.153	36.318.389	157.977.461	97,97%
8	Retail exposures	51.506.981	35.527.485	46.927.084	4.199.363	38.344.835	75,00%
9	Exposures secured by residential property	11.077.380	481.147	11.059.476	206.744	3.943.177	35,00%
10	Exposures secured by commercial real estate	15.118.612	1.539.025	14.947.670	997.960	11.535.900	72,35%
11	Past-due loans	3.560.340	-	3.560.340	-	3.715.515	104,36%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures secured by commercial real estate	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	243.711	214.972	243.711	4.472	248.183	100,00%
16	Other assets	9.746.187	-	9.746.187	-	6.066.111	62,24%
17	Investments in equities	19.135	-	19.135	-	19.135	100,00%
18	**Total**	**335.367.100**	**141.813.821**	**330.425.787**	**59.648.114**	**265.098.968**	**67,96%**

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	Prior Period - 31.12.2017	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	86.402.049	4.034.841	86.402.049	140.882	25.418.515	29,37%
2	Exposures to regional governments or local authorities	-	275	-	55	28	50,91%
3	Exposures to public sector entities	7.083	23.763	7.083	4.892	11.975	100,00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	19.964.457	51.239.014	19.964.456	17.091.274	20.875.984	56,34%
7	Exposures to corporates	135.576.243	55.827.649	132.190.493	28.826.235	150.807.506	93,66%
8	Retail exposures	53.709.366	34.878.230	53.356.192	3.896.502	38.982.809	68,09%
9	Exposures secured by residential property	12.825.659	592.428	12.823.162	246.873	4.570.820	34,97%
10	Exposures secured by commercial real estate	10.563.610	999.369	10.541.614	654.912	7.377.523	65,89%
11	Past-due loans	282.232	-	282.232	-	283.476	100,44%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	277.987	81	277.988	12	278.000	100,00%
16	Other assets	7.832.116	-	7.832.116	-	5.532.731	70,64%
17	Investments in equities	101.958	-	101.958	-	101.958	100,00%
18	**Total**	**327.542.760**	**147.595.650**	**323.779.343**	**50.861.637**	**254.241.325**	**67,86%**

8. Standardised Approach – Exposures by asset classes and risk weights:

	Current Period - 31.12.2018 Assett classes/ Risk weight	0%	10%	20%	35%	50(*)%	75%	100%	150%	200%	Other risk weights	Total risk amount (**)
1	Exposures to central governments or central banks	67.569.712	-	366.035	-	-	-	16.646.039	-	-	-	84.581.785
2	Exposures to regional governments or local authorities	-	-	-	-	26.833	-	-	-	-	-	26.833
3	Exposures to public sector entities	-	-	-	-	-	-	7.372	-	-	-	7.372
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	202.080	-	23.212.856	-	14.040.507	-	14.845.783	-	-	-	52.301.226
7	Exposures to corporates	1.314.832	-	83.905	-	3.770.253	-	156.075.553	-	-	-	161.244.543
8	Retail exposures	-	-	-	-	-	51.126.447	-	-	-	-	51.126.447
9	Exposures secured by residential property	-	-	-	11.266.221	-	-	-	-	-	-	11.266.221
10	Exposures secured by commercial real estate	-	-	-	-	8.819.460	-	7.126.170	-	-	-	15.945.630
11	Past-due loans	-	-	-	-	1.069.647	-	1.110.693	1.379.999	-	-	3.560.340
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	248.183	-	-	-	248.183
16	Investments in equities	-	-	-	-	-	-	19.135	-	-	-	19.135
17	Other assets	3.680.072	-	5	-	-	-	6.066.110	-	-	-	9.746.187
18	**Total**	**72.766.696**	**-**	**23.662.801**	**11.266.221**	**27.726.700**	**51.126.447**	**202.145.039**	**1.379.999**	**-**	**-**	**390.073.902**

(*) Secured by real estate

(**) Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

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	Prior Period - 31.12.2017 Assett classes/ Risk weight	0%	10%	20%	35%	50(*)%	75%	100%	150%	200%	Other risk weights	Total risk amount (**)
1	Exposures to central governments or central banks	60.941.238	-	228.972	-	-	-	25.372.722	-	-	-	86.542.932
2	Exposures to regional governments or local authorities	-	-	-	-	55	-	-	-	-	-	55
3	Exposures to public sector entities	-	-	-	-	-	-	11.975	-	-	-	11.975
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	10.587.883	-	15.418.883	-	11.048.964	-	-	-	37.055.730
7	Exposures to corporates	149.830	-	1.043.045	-	4.846.264	-	154.977.589	-	-	-	161.016.728
8	Retail exposures	-	-	-	-	-	57.252.694	-	-	-	-	57.252.694
9	Exposures secured by residential property	-	-	-	-	-	11.625.661	1.444.374	-	-	-	13.070.035
10	Exposures secured by commercial real estate	-	-	-	-	-	1.343.625	9.852.901	-	-	-	11.196.526
11	Past-due loans	-	-	-	-	3.200	-	273.344	5.688	-	-	282.232
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	277.999	-	-	-	277.999
16	Investments in equities	-	-	-	-	-	-	101.958	-	-	-	101.958
17	Other assets	2.266.147	-	41.548	-	-	-	5.524.421	-	-	-	7.832.116
18	**Total**	**63.357.215**	**-**	**11.901.448**	**-**	**20.268.402**	**70.221.980**	**208.886.247**	**5.688**	**-**	**-**	**374.640.980**

(*) Secured by real estate

(**) Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

d. Counterparty Credit risk (CCR) explanations:

1. Qualitative disclosure related to counterparty credit risk:

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies, corporate segment, micro segment customers, private banking customers and individual customers. The products are grouped as interest swap transactions, foreign currency option transactions (plain vanilla), foreign exchange option transactions (exotic), interest option transactions, commodity Transactions, credit derivatives and repo transactions.

"Conformity Test" is applied to the customers to determine whether the products to be presented to the customers are in compliance with the customers' financial status and their knowledge and experience. The tests to be applied are prepared in a way that bank can evaluate the information received from the customers with the method including "risk and return preference" and knowledge and experience" classifications determined by the Bank.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For the transactions within the scope of the CCR, appropriate limits to the risk appetite, policies and strategies of the Bank are determined. The determined limits are approved by the Board of Directors for the banks. For the firms and individuals apart fron banks regular loan approval processes and limits are conducted.

The counterparty credit risk limits for financial institutions are also determined seperately and presented to the Board of Directors for approval. The determined limits are reviewed at least once a year. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewd and necessary changes are made. If deemed necessary, the approved limits are blocked by the Credit Committee / Credit Allocation Business Unit and by the approval of the Board of Directors.

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In counterparty credit risk management of financial institutions, risk mitigation methods such as netting agreements, collateral and "margin" agreements are used. Collateralization principles and procedures are applied for companies and individuals other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

The risk of reverse tendency within the scope of the CCR appears in two ways as the risk of general reversal and the risk of specific reversal.

To avoid the general counter trend risk;

-Depending on the direction of the financing expenses of the corporate and commercial companies, it is taken care that the interest swap transactions made are aimed at "hedging". If the short-term liability of the firm is more than short-term liabilities susceptible to interest, interest rate swaps will be applied to the firm with the fixed interest rate. In the other case, interest rate swap transactions that the company pays variable interest are made.

-It is also important to note that the transactions are "hedged" for foreign currency transactions. If the firm is in a long position in the foreign exchange market, the transactions that the foreign exchange seller is the company and if the company is in the short position in the foreign exchange market, the transactions that the foreign exchange buyer is the company are taken into consideration.

To avoid the risk of specific counter trend risk;

-In the option transactions made on the other party's own shares, transactions are not made where the same counterparty is the option seller.

-In the credit derivative transactions on the counterparty's own credit risk, there are no transactions that the counterparty is the protection seller

For the actions taken under the CCR, the obligation to provide additional collateral due to the possible decline in the credibility of the Bank is followed.

2. Analysis of counterparty credit risk exposure by approach:

	Current Period - 31.12.2018	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	14.611.271	5.320.025		1,4	19.931.297	14.524.327
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3.367.180	1.520.377
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					3.367.180	1.520.377
6	**Total**						**16.044.704**

(*) Effective Expected Positive Exposure

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	Prior Period - 31.12.2017	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	9.330.172	1.750.382	-	1,4	11.080.554	7.981.522
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	7.660.804	3.556.100
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	7.660.804	3.556.100
6	**Total**						**11.537.622**

(*) Effective Expected Positive Exposure

3. Credit valuation adjustment (CVA) capital charge:

		Current Period 31.12.2018	
		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	-	-
4	**Total subject to the CVA capital charge**	19.931.297	6.739.551
		19.931.297	**6.739.551**

		Prior Period 31.12.2017	
		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	11.080.554	4.191.575
4	**Total subject to the CVA capital charge**	**11.080.554**	**4.191.575**

4. Standardised approach of CCR exposures by regulatory portfolio and risk weights:

Current Period - 31.12.2018

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (*)
Regulatory portfolio									
Claims from central governments and central banks	76.180	-	-	-	-	1.994	-	-	1.994
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	112	-	-	112
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	2.746.064	9.934.757	-	2.558	-	-	5.519.149
Corporates	-	-	-	444	-	10.479.324	-	-	10.479.546
Retail portfolios	-	-	-	-	52.570	-	-	-	39.427
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	-	-	-	-	-	4.472	-	-	4.472
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	**76.180**	**-**	**2.746.064**	**9.935.201**	**52.570**	**10.488.460**	**-**	**-**	**16.044.700**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

Prior Period - 31.12.2017

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure (*)
Regulatory portfolio									
Claims from central governments and central banks	91.013	-	-	-	-	22.036	-	-	22.036
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	148	-	-	148
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	1.624.788	11.609.347	-	10.274	-	-	6.139.905
Corporates	-	-	-	6.095	-	5.356.959	-	-	5.360.006
Retail portfolios	-	-	-	-	20.698	-	-	-	15.524
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	-	-	-	-	-	3	-	-	3
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	**91.013**	**-**	**1.624.788**	**11.615.442**	**20.698**	**5.389.420**	**-**	**-**	**11.537.622**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

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5. Composition of collateral for CCR exposure: Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

6. Credit derivatives exposures:

Current period – 31.12.2018	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	5.917.500	26.300
Index credit default swaps	-	-
Total return swaps	10.369.466	7.603.757
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**16.286.966**	**7.630.057**
Fair values		
Positive fair value (asset)	3.283.145	2.606.104
Negative fair value (liability)	-	-

Prior period – 31.12.2017	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	18.700
Index credit default swaps	-	-
Total return swaps	6.127.434	4.541.941
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**6.127.434**	**4.560.641**
Fair values		
Positive fair value (asset)	1.581.610	1.581.610
Negative fair value (liability)	-	-

7. Exposures to central counterparties (CCP):

Current Period - 31.12.2018

		Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**22.790**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	572.078	22.772
3	(i) OTC Derivatives	572.078	22.772
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin		
9	Pre-funded default fund contributions	7.655	18
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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Prior Period - 31.12.2017

		Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**7.822**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	203.462	7.808
3	(i) OTC Derivatives	203.462	7.808
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	6.519	14
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)		-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin		
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

e. Securitization explanations: The Bank has no securitization transactions.

f. Explanations on market risk:

1. Qualitative disclosure requirements related to market risk:

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations use variance-covariance, historical simulation and Monte Carlo simulation methods. The software used can perform calculations with an advanced yield curve and volatility models. The VaR model is based on the assumptions of 99% confidence interval and a 10-day holding period. VaR analyses are performed on a daily basis and reported to the Senior Management. VaR analyses are also used as risk and limit management instrument for trading transactions. The limits are reviewed periodically according to market conditions and the application of specified limits is subject to authority restrictions and therefore the control effectiveness is increased. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which have significant impact and the effects of market fluctuations. Retrospective tests of the model outputs are performed regularly. The standard method is used for the legal reporting.

The following table indicates the details of the market risk calculation as of 31 December 2018, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

2. Standardised approach:

		Current Period - 31.12.2018 RWA
	Outright products (*)	
1	Interest rate risk (general and specific)	2.644.038
2	Equity risk (general and specific)	29.800
3	Foreign exchange risk	2.381.081
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	32.825
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**5.087.744**

(*) Outright products refer to positions in products that are not optional.

		Prior Period - 31.12.2017 RWA
	Outright products (*)	
1	Interest rate risk (general and specific)	2.794.813
2	Equity risk (general and specific)	63.775
3	Foreign exchange risk	1.758.233
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	82.613
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**4.699.434**

(*) Outright products refer to positions in products that are not optional.

g. Explanations on operational risk:

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of 31 March 2016, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2018 is calculated by using the gross income of the Bank in 2015, 2016 and 2017.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of financial assets at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

	31.12.2015	31.12.2016	31.12.2017	Total/Positive GI year number	Ratio (%)	Total
Gross income	10.209.262	11.948.171	14.107.718	3	15	1.813.258
Amount subject to Operational Risk (Amount*12,5)						22.665.719

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h. Interest rate risk related to banking book:

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

In addition to interest rate sensitivities measured and reported weekly, daily and transaction-based analyses are also performed when significant fluctuations occur in markets.

Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality risk are considered under interest rate risk scope.

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no 28034 on 23 August 2011.

The Group's calculation of the interest rate risk derived from banking books is presented below:

Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	(400)	2.653.182	5,28%
TL	500	(2.982.938)	(5,94)%
USD	(200)	(199.575)	(0,40)%
USD	200	200.621	0,40%
EURO	(200)	107.373	0,21%
EURO	200	(790.100)	(1,57)%
Total (for negative shocks)		**2.560.980**	**5,10%**
Total (for positive shocks)		**(3.572.417)**	**(7,11)%**

XI. EXPLANATIONS ON HEDGE TRANSACTIONS:

The Group hedges its TL and foreign denominated fixed rate financial assets with cross currency swaps and interest swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset or liability in the balance sheet for TL denominated fixed rate mortgage loans. Fair value changes which have already been booked in equity, have been reclassified from equity to income statement for TL and FC denominated fixed rate available-for-sale financial assets.

The Group hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate and cross currency swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss" whereas ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging item is taken out of the equity and reflected on the income statement.

Prospective tests are performed at the inception of the hedge relationships and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

The replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

The Group hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate and cross currency swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss" whereas ineffective part is accounted in the income statement

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As of 31 December 2018, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet of the Bank are summarized in the following table:

	Current Period 31 December 2018		
	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps			
-TL	16.237.237	4.693.776	647.569
-FC	45.937.007	364.658	41.041
Total	**62.174.244**	**5.058.434**	**688.610**

	Prior Period 31 December 2017		
	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps			
-TL	2.497.225	973.630	-
-FC	27.012.330	162.654	74.911
Total	**29.509.555**	**1.136.284**	**74.911**

1. Explanations on Accounting Net Investment Hedge:

The Group has been using hedge against fair value strategy to hedge against foreign currency risk born of EUR 320 million which represents share premiums and paid-in-capital of Akbank AG, one of its subsidiaries. EUR 320 million of syndication loans used by the Group have been classified as "hedge instruments."

2. Explanations on Fair Value Hedge:

Current Period – 31 December 2018

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(43,581)	33.893	(9.688)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	2.632.655	(2.658.615)	(25.960)
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	9.438	(9.438)	-
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	93	(95)	(2)
			22.074	(22.686)	(612)

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

Prior Period - 31 December 2017

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(70.981)	63.778	(7.203)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	273	(281)	(8)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	1.115.949	(1.104.587)	11.362
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	661	(663)	(2)

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.
(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

As of 31 December 2018 fair value hedge transactions have been proven to be effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2018, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 7.263 (31 December 2017: TL 15.256).

3. Explanations on Cash Flow Hedge:

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain/(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	253.669	-	191.663	46.141	499
Cross Currency Swap	Short term FC commercial deposits	Cash Flow risk due to changes in interest rate of funds	1.735.670	48.976	129.198	(368.522)	84.273
Cross Currency Swap	Floating-rate FC given loans	Cash Flow risk due to changes in interest rate of funds	-	344.201	198.896	312.291	18.934
Interest Rate Swap	Short term TL deposits	Cash Flow risk due to changes in interest rate of funds	270	251.782	(216.086)	12.411	(1.567)

As of 31 December 2018 cash flow hedge transactions have been determined as effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2018, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (6.113) (31 December 2017: TL (20.091)).

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XII. QUALITATIVE DISCLOSURES ON REMUNERATION POLICIES

Explanations on Remuneration Committee:

The Remuneration Committee consisting of two members from the board of directors who have no executive duties convened and evaluated the remuneration policies once in 2018. As a result of the meeting and related evaluations, the committee decided on continuation of existing policies. The main duties and responsibilities of the Remuneration Committee have been determined as follows:

- Reviewing the remuneration policy practices within the framework of the "Regulation on Corporate Governance Principles of Banks" published by the BRSA and keeping the wage management system up to date.

- Submitting the evaluation and recommendations on remuneration policies and practices within the framework of Corporate Governance Committee principles to the Board of Directors as an annual report

- Ensuring the implementation of variable remuneration (premium) payments within the framework of Corporate Governance Committee principles.

- Determining payments to the members of the Board of Directors if they assume a different function in the bank.

The general principles of the Bank's remuneration policy apply to all bank employees.

Members of the Board of Directors and senior executives that have a significant impact on the Bank's risk profile are classified under the qualified employees. By the end of 2018, there are 16 employees that are considered as qualified employees in the Bank.

Information on the Design and Structure of the Remuneration Process

While determining the Bank's wage structure;

- Internal balance of wages and budgetary opportunities,

- Job description and level of responsibility of employees,

- Individual performance of each employee,

- The overall performance of the team and general performance of the bank,

- Employee competencies,

- Compliance with the Bank's internal and external legislation

are taken into consideration.

Structured the Remuneration Policy for gaining, keeping, rewarding and motivating human resources are necessary for sustainable success to the bank is created as follows.

- Complying with the scope and structure of the Bank's operations, strategies, long-term targets and risk management structures,

- Preventing the excessive risk taking and contributing the effective risk management,

Evaluation of Remuneration Process Regarding the Methods of Addressing Current and Future Risks

In the remuneration processes, credit risk, operational risk, legal risk and reputation risk are taken into consideration with the applied risk management. The risks arising from employees during the determination of premiums are also taken into consideration. Some portion of the premium payments of the qualified employees are paid with non-cash assets indexed to the Bank's share value and some portion of them is postponed. In certain cases, written agreements have been made with these employees for the cancellation of deferred payments. In the recent year, there has been no change in the methods of handling risks in remuneration practices.

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Evaluation of the Methods of Associating Premiums with Performance

Return on equity, asset size and other possible risks generally determined for the Bank are considered on a preferential basis for calculating the total amount of premiums. The Bank performance is determined as a prerequisite to acquire the right for premiums individually.

The premium budget determined according to the Bank's performance is distributed to the employees in line with the unit performance affiliated with individual performance and fixed income. Profitability, efficiency and risk cost are taken into consideration in the measurement of individual performances.

In determining the premiums of the qualified employees, the general performance of the Bank is determined as preliminary criteria.

The units within the scope of Internal Systems have independent premium systems from Bank's performance system hence their budgets are separately managed. All decisions regarding the wage and premium processes of these units are agreed at the Board of Directors level.

XIII. EXPLANATIONS ON BUSINESS SEGMENTS:

The Group operates in three main business segments including retail banking, commercial banking, and corporate-investment and private banking and wealth management with treasury activities.These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account customer, customer relationship manager, branch segment and product. This information is made available to the branch and Head Office personnel through a web-based management reporting system.

Retail banking offers a variety of retail services such as deposit accounts, retail loans, commercial installment loans, credit cards, insurance products and asset management services. The consumer banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate Banking and Commercial Banking and SME Banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Bank provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities. In the scope of private banking, The Bank serves the members of the high-income customers who have expectations for upper-class service quality both in banking and investment transactions. Within the scope of international banking activities, activities are also being carried out in order to provide long-term funding, to provide funding under a price reflecting the country's risk, to diversify funding resources and to form an international investor base on this area.

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network.

Information on business segments as of 31 December 2018 and 31 December 2017 presented in the following tables. Explanations on business segments are prepared on the basis of data obtained from Bank Management Reporting System.

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	Retail Banking (*)	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Current Period – 31 December 2018					
Operating Income	11.263.636	3.432.669	1.003.317	5.590.131	21.289.753
Profit from Operating Activities	5.581.820	(430.905)	705.642	1.273.311	7.129.868
Income from Subsidiaries				6.567	6.567
Profit before Tax	5.581.820	(430.905)	705.642	1.279.877	7.136.434
Tax Expense				(1.427.281)	(1.427.281)
Minority Shares	-	-	-	(12)	(12)
Net Profit for the Period	5.581.820	(430.905)	705.642	(147.404)	5.709.153
Segment Assets					
Investments in Associates.	71.535.564	155.414.381	106.291.403	7.093.603	340.334.951
Undistributed Assets	-	-	-	-	5.521
Total Assets	-	-	-	-	14.341.141
Segment Liabilities					354.681.610
Undistributed Liabilities	131.439.325	70.722.739	89.927.997	6.902.026	298.992.087
Shareholders' Equity	-	-	-	-	11.902.485
Total Liabilities	-	-	-	-	43.787.041
Other Segment Items					354.681.610
Capital Investment					
Amortization					
Non-cash Other Income-Expense	-	-	-	1.074.283	1.074.283
Operating Income	(64.752)	6.021	3.697	(302.980)	(358.014)
Profit from Operating Activities	(1.944.623)	(5.549.604)	(72.515)	(803.020)	(8.369.762)

(*) As of 22 November 2018, Retail Banking and SME Banking Business Units have been merged and Retail Banking Business Unit started to operate.

	Consumer Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Prior Period – 31 December 2017 (*)					
Operating Income	4.628.723	6.907.217	1.086.473	1.850.369	14.472.782
Profit from Operating Activities	2.083.222	4.861.910	838.666	(132.221)	7.651.577
Income from Subsidiaries				2.658	2.658
Profit before Tax	2.083.222	4.861.910	838.666	(129.563)	7.654.235
Corporate Tax				(1.633.953)	(1.633.953)
Minority Shares				(9)	(9)
Net Profit for the Period	2.083.222	4.861.910	838.666	(1.763.525)	6.020.273
Segment Assets	53.929.605	176.148.618	91.331.453	7.385.344	328.795.020
Investments in Associates.	-	-	-	3.923	3.923
Undistributed Assets	-	-	-	12.811.014	12.811.014
Total Assets					341.609.957
Segment Liabilities	98.126.490	97.357.169	89.058.408	6.558.817	291.100.884
Undistributed Liabilities	-	-	-	9.895.501	9.895.501
Shareholders' Equity	-	-	-	40.613.572	40.613.572
Total Liabilities					341.609.957
Other Segment Items					
Capital Investment	-	-	-	483.566	483.566
Amortization	(21.292)	(17.510)	(123)	(236.854)	(275.779)
Non-cash Other Income-Expense	(284.492)	(113.897)	(54.123)	(1.500.356)	(1.952.868)

(*) 31 December 2017 amounts are used for income statement accounts

SECTION FIVE
INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

The prior period financial statements are not restated according to transition requirements of TFRS 9. Prior year disclosures prepared under different bases are presented separately.

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

a. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash equivalents and the account of the CBRT:

	Current Period 31 December 2018	
	TL	FC
Cash/Foreign Currency	1.796.419	1.826.133
The CBRT (*)	2.928.915	23.504.830
Other (**)	-	57.527
Total	**4.725.334**	**25.388.490**

(*) Precious metal account amounting to TL 3.432.683 are included in FC.
(**) Precious metal account amounting to TL 57.022 are included in FC.

	Prior Period 31 December 2017	
	TL	FC
Cash/Foreign Currency	1.427.724	735.960
The CBRT (*)	7.033.859	26.021.620
Other (**)	1	144.012
Total	**8.461.584**	**26.901.592**

(*) Precious metal account amounting to TL 5.118.058 are included in FC.
(**) Precious metal account amounting to TL 102.465 are included in FC.

2. Information related to the account of the CBRT:

	Current Period 31 December 2018	
	TL	FC
Unrestricted Demand Deposits	124	-
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	-
Reserve Requirement	2.928.791	23.504.830
Total	**2.928.915**	**23.504.830**

	Prior Period 31 December 2017	
	TL	FC
Unrestricted Demand Deposits	1.647	-
Unrestricted Time Deposits	3.080.092	-
Restricted Time Deposits	-	-
Reserve Requirement	3.952.120	26.021.620
Total	**7.033.859**	**26.021.620**

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3. Explanation on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT pays interest on reserve balances held in TL and USD.

The required reserve rates for TL liabilities vary between 1,5% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 20% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

b. Financial Assets at Fair Value Through Profit or Loss

As of 31 December 2018, financial assets at fair value through profit or loss given as collateral/blocked amount to TL 10.599 (31 December 2017: TL 9.731); and there are no financial assets subject to repo transactions (31 December 2017: TL 200).

c. Trading derivative financial assets:

(i) Table of positive differences related to derivative financial assets (*)

	Current Period 31 December 2018	
	TL	FC
Forward Transactions	1.004.135	-
Swap Transactions	11.211.063	4.810.361
Futures Transactions	-	-
Options	67.656	454.254
Other	-	-
Total	**12.282.854**	**5.264.615**

(*)Excluding hedging derivatives financial assets

(ii) Table of positive differences related to trading derivative financial assets

	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	421.168	-
Swap Transactions	4.941.019	2.751.338
Futures Transactions	-	-
Options	31.866	170.658
Other	-	-
Total	**5.394.053**	**2.921.996**

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d. Information on banks account and foreign banks:

1. Information on banks account:

	Current Period 31 December 2018 TL	Current Period 31 December 2018 FC
Banks		
Domestic	9.099	664.819
Foreign	3.107	18.282.373
Head Quarters and Branches Abroad	-	-
Total	**12.206**	**18.947.192**

	Prior Period 31 December 2017 TL	Prior Period 31 December 2017 FC
Banks		
Domestic	289.699	1.549.027
Foreign	-	8.191.003
Head Quarters and Branches Abroad	-	-
Total	**289.699**	**9.740.030**

2. Information on foreign banks account:

	Unrestricted Amount Current Period 31 December 2018	Restricted Amount (**) Current Period 31 December 2018
European Union Countries	7.880.736	4.387.506
USA, Canada	5.372.917	615.389
OECD Countries (*)	16.399	-
Off-Shore Banking Regions	-	-
Other	12.533	-
Total	**13.282.585**	**5.002.895**

(*) OECD Countries other than EU countries, USA and Canada.
(**) Restricted amounts which mainly consist of collaterals related to borrowings, are kept in several banks.

	Unrestricted Amount Prior Period 31 December 2017	Restricted Amount (**) Prior Period 31 December 2017
European Union Countries	3.027.330	4.102.632
USA, Canada	602.727	431.048
OECD Countries (*)	12.789	-
Off-Shore Banking Regions	-	-
Other	6.317	8.160
Total	**3.649.163**	**4.541.840**

(*) OECD Countries other than EU countries, USA and Canada.
(**) Restricted amounts which mainly consist of collaterals related to borrowings, are kept in several banks.

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

1. As of 31 December 2018, financial assets fair value through other comprehensive income subject to repurchase agreements amounting to TL 12.114.655 (31 December 2017: TL 20.055.533); and those given as collateral/blocked amounting to TL 8.854.043 (31 December 2017: TL 3.470.880).

2. (i) Information on financial assets fair value through other comprehensive income:

	Current Period 31 December 2018
Debt Securities	46.920.338
Quoted at Stock Exchange (*)	45.524.169
Unquoted at Stock Exchange	1.396.169
Share Certificates	13.620
Quoted at Stock Exchange	-
Unquoted at Stock Exchange	13.620
Impairment Provision (-)	2.593.916
Total	**44.340.042**

(ii) Information on available-for-sale financial assets:

	Prior Period 31 December 2017
Debt Securities	43.531.669
Quoted at Stock Exchange (*)	43.392.550
Unquoted at Stock Exchange	139.119
Share Certificates	98.040
Quoted at Stock Exchange	-
Unquoted at Stock Exchange	98.040
Impairment Provision (-)	799.921
Total	**42.829.788**

(*) Investment funds are included

f. Information related to loans:

1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period 31 December 2018 Cash	Current Period 31 December 2018 Non-cash
Direct Loans Granted to Shareholders	-	1.440
Corporate Shareholders	-	1.440
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	5.476.437	1.073.121
Loans Granted to Employees	114.675	-
Total	**5.591.112**	**1.074.561**

	Prior Period 31 December 2017 Cash	Prior Period 31 December 2017 Non-cash
Direct Loans Granted to Shareholders	-	246
Corporate Shareholders	-	246
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	5.605.978	923.453
Loans Granted to Employees	113.133	-
Total	**5.719.111**	**923.699**

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

(i). Loans at amortised cost (*):

Current Period - 31 December 2018	Standard Loans and Other Receivables	Loans and other receivables under follow up – Restructured Loans and Receivables: Loans and Receivables Not Subject to restructuring	Loans and other receivables under follow up – Restructured Loans and Receivables: Loans and Receivables with Revised Contract Terms	Loans and other receivables under follow up – Restructured Loans and Receivables: Refinance
Non-specialized Loans				
Loans given to enterprises	27.502.883	2.236.888	118	1.949.139
Export Loans	13.271.117	428.060	438	174.775
Import Loans	2.472.993	-	-	-
Loans Given to Financial Sector	10.255.765	396	-	-
Consumer Loans	25.569.867	2.596.310	871.206	104.709
Credit Cards	13.096.826	979.253	-	680.539
Other	85.767.574	11.936.659	343.038	7.051.401
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**177.937.025**	**18.177.566**	**1.214.800**	**9.960.563**

(*) The balances of loans at fair value profit or loss has not been included.

(ii). Loans at fair value through profit or loss:

For the restructuring of the syndacation loan extended to Ojer Telekominasyon A.Ş (OTAŞ), which is the main shareholder of Türk Telekom, an agreement has been made between all creditors including the Bank. As per the agreed structure, 1.925.000.000 Class A Shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities are taken over on 21 December 2018 by a special purpose vehicle Levent Yapılandırma Yönetimi A.Ş. ("LYY") owned directly or indirectly by the creditors. The Bank participated in LYY with a share of 35,56% for its share in receivables from OTAŞ. With in the scope of the acquisition of Türk Telekom shares by LYY and related agreements, the amount of credit extended to LYY by the Bank for the acquisition of shares, which are the guarantee of OTAŞ loans, is 1.272 millon USD (6.990 million TL) as of 31 December 2018. This loan has been reclassified as "Loans" under "Fair Value through Profit or Loss". The maturity of related loan is 1 year and it can be extended. As stated in agreements for mentioned loan, it is foreseen that a part of the loan given to LYY shall be transferred from loans to capital and added to LYY capital in the following period. The shares of Türk Telekom, are pledged for this loan and constitute the guarantee of the loan granted to LYY. The main purpose of LYY is transferring the shares of Türk Telekom to an expert investor by providing to necessary conditions as soon as possible.

Current Period - 31 December 2018

Expected Credit Loss Stage I and Stage II	Standard Loans	Loans and other receivables under follow up
12 Month Expected Credit Losses	737.932	-
Significant Increase in Credit Risk	-	2.863.613
Total	**737.932**	**2.863.613**

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	Prior Period 31 December 2017
General Provisions	**2.686.871**
Provisions for Group I. Loans and Receivables	964.317
Provisions for Group II. Loans and Receivables	121.358
Provisions for Non-cash Loans	64.229
Other	1.536.967

As of 31 December 2017 the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no: 29918. The Bank's provision ratios are over these minimum ratios. Surplus provision amount of TL 1.4 billion (full TL amount) over the minimum provision ratios is included in the "Other" line on the table above.

Current Period - 31 December 2018

Number of Extension	Standard loans and other receivables	Loans and other receivables under follow up
Extended by 1 or 2 times	4.340.357	12.124.405
Extended by 3,4 or 5 times	102.708	320.815
Extended by more than 5 times	10.562	11.481
Total	**4.453.627**	**12.456.701**

Extension periods	Standard loans and other receivables	Loans and other receivables under follow up
0 - 6 Months	1.480.655	1.902.377
6 - 12 Months	318.467	4.777.665
1 - 2 Years	646.836	1.026.834
2 - 5 Years	1.009.323	3.027.478
5 Years and over	998.346	1.722.347
Total	**4.453.627**	**12.456.701**

3. Breakdown of loans according to their maturities:

	Standard Loans	Loans Under Follow-Up: Non-restructured	Loans Under Follow-Up: Restructured or rescheduled
Short-term Loans	48.510.176	3.553.407	1.439.770
Medium and Long-Term Loans	129.426.849	14.624.159	9.735.593
Total	**177.937.025**	**18.177.566**	**11.175.363**

(*) The balances of loans at fair value profit or loss has not been included.

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4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

Current Period– 31.12.2018	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**641.242**	**27.032.858**	**27.674.100**
Mortgage Loans	1.600	10.799.366	10.800.966
Automotive Loans	1.211	136.735	137.946
Consumer Loans	638.431	16.096.757	16.735.188
Other	-	-	-
Consumer Loans- Indexed to FC	**-**	**1.289**	**1.289**
Mortgage Loans	-	1.289	1.289
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	**11.428.605**	**568.087**	**11.996.692**
With Installment	3.869.730	566.715	4.436.445
Without Installment	7.558.875	1.372	7.560.247
Consumer Credit Cards-FC	**11.816**	**-**	**11.816**
With Installment	-	-	-
Without Installment	11.816	-	11.816
Personnel Loans-TL	**5.100**	**57.903**	**63.003**
Mortgage Loans	-	3.592	3.592
Automotive Loans	-	36	36
Consumer Loans	5.100	54.275	59.375
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**51.496**	**24**	**51.520**
With Installment	16.959	24	16.983
Without Installment	34.537	-	34.537
Personnel Credit Cards-FC	**152**	**-**	**152**
With Installment	-	-	-
Without Installment	152	-	152
Credit Deposit Account-TL (Real Person)	**1.403.700**	**-**	**1.403.700**
Credit Deposit Account-FC (Real Person)	**-**	**-**	**-**
Total Consumer Loans	**13.542.111**	**27.660.161**	**41.202.272**

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Prior Period– 31.12.2017	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**716.767**	**30.274.352**	**30.991.119**
Mortgage Loans	7.443	13.217.359	13.224.802
Automotive Loans	3.517	251.107	254.624
Consumer Loans	705.807	16.805.886	17.511.693
Other	-	-	-
Consumer Loans- Indexed to FC	**-**	**4.382**	**4.382**
Mortgage Loans	-	3.778	3.778
Automotive Loans	-	-	-
Consumer Loans	-	604	604
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	**10.791.056**	**605.582**	**11.396.638**
With Installment	4.455.077	602.801	5.057.878
Without Installment	6.335.979	2.781	6.338.760
Consumer Credit Cards-FC	**12.439**	**-**	**12.439**
With Installment	-	-	-
Without Installment	12.439	-	12.439
Personnel Loans-TL	**4.504**	**62.087**	**66.591**
Mortgage Loans	-	3.904	3.904
Automotive Loans	-	54	54
Consumer Loans	4.504	58.129	62.633
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**46.298**	**27**	**46.325**
With Installment	18.202	27	18.229
Without Installment	28.096	-	28.096
Personnel Credit Cards-FC	**217**	**-**	**217**
With Installment	-	-	-
Without Installment	217	-	217
Credit Deposit Account-TL (Real Person)	**1.063.092**	**-**	**1.063.092**
Credit Deposit Account-FC (Real Person)	**-**	**-**	**-**
Total Consumer Loans	**12.634.373**	**30.946.430**	**43.580.803**

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

Current Period – 31.12.2018	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	**994.181**	**12.442.532**	**13.436.713**
Mortgage Loans	5.119	8.354	13.473
Automotive Loans	38.296	66	38.362
Consumer Loans	950.766	12.434.112	13.384.878
Other	-	-	-
FC Indexed Commercial Installment Loans	**4.498**	**349.103**	**353.601**
Mortgage Loans	-	1.016	1.016
Automotive Loans	-	-	-
Consumer Loans	4.498	348.087	352.585
Other	-	-	-
Commercial Installment Loans-FC	**8.461**	**198.367**	**206.828**
Mortgage Loans	-	-	-
Automotive Loans	3.515	-	3.515
Consumer Loans	4.946	198.367	203.313
Other	-	-	-
Corporate Credit Cards-TL	**2.693.636**	**50**	**2.693.686**
With Installment	795.746	43	795.789
Without Installment	1.897.890	7	1.897.897
Corporate Credit Cards-FC	**2.752**	-	**2.752**
With Installment	-	-	-
Without Installment	2.752	-	2.752
Credit Deposit Account-TL (Legal Person)	**1.159.752**	-	**1.159.752**
Credit Deposit Account-FC (Legal person)	-	-	-
Total	**4.863.280**	**12.990.052**	**17.853.332**

Prior Period – 31.12.2017	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	**1.119.222**	**16.749.813**	**17.869.035**
Mortgage Loans	14.390	3.147	17.537
Automotive Loans	54.110	30	54.140
Consumer Loans	1.050.722	16.746.636	17.797.358
Other	-	-	-
FC Indexed Commercial Installment Loans	**42.260**	**505.766**	**548.026**
Mortgage Loans	-	1.422	1.422
Automotive Loans	3.424	-	3.424
Consumer Loans	38.836	504.344	543.180
Other	-	-	-
Commercial Installment Loans-FC	**192**	**130.514**	**130.706**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	192	130.514	130.706
Other	-	-	-
Corporate Credit Cards-TL	**2.590.251**	**144**	**2.590.395**
With Installment	1.143.897	54	1.143.951
Without Installment	1.446.354	90	1.446.444
Corporate Credit Cards-FC	**2.912**	-	**2.912**
With Installment	-	-	-
Without Installment	2.912	-	2.912
Credit Deposit Account-TL (Legal Person)	**745.285**	-	**745.285**
Credit Deposit Account-FC (Legal person)	-	-	-
Total	**4.500.122**	**17.386.237**	**21.886.359**

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6. Loans according to types of borrowers:

	Current Period 31 December 2018
Public	1.508.632
Private	212.471.530
Total	**213.980.162**

	Prior Period 31 December 2017
Public	1.607.968
Private	207.717.802
Total	**209.325.770**

7. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers:

	Current Period 31 December 2018
Domestic Loans	205.272.284
Foreign Loans	8.707.878
Total	**213.980.162**

	Prior Period 31 December 2017
Domestic Loans	202.254.225
Foreign Loans	7.071.545
Total	**209.325.770**

8. Loans granted to investments in associates and subsidiaries: None.

9. (i) Credit-Impaired Losses (Stage III / Special Provision):

	Current Period 31 December 2018
Loans and Other Receivables with Limited Collectibility	724.871
Loans and Other Receivables with Doubtful Collectibility	1.226.217
Uncollectible Loans and Receivables	2.929.813
Total	**4.880.901**

(ii) Specific provisions accounted for loans:

	Prior Period 31 December 2017
Loans and Other Receivables with Limited Collectibility	579.034
Loans and Other Receivables with Doubtful Collectibility	650.121
Uncollectible Loans and Receivables	3.150.937
Total	**4.380.092**

10. Information on non-performing loans (Net):

10. (i) Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2018			
(Gross Amounts Before Specific Provisions)	37.886	108.383	106.612
Rescheduled Loans and Other Receivables	37.886	108.383	106.612
Prior Period: 31 December 2017			
(Gross Amounts Before Specific Provisions)	31.843	39.558	74.640
Rescheduled Loans and Other Receivables	31.843	39.558	74.640

10. (ii) Information on the movement of total non-performing loans:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Prior Period End Balance: 31 December 2017	**579.034**	**650.121**	**3.731.468**
Additions (+)	9.002.953	428.596	454.023
Transfers from Other Categories of Non-Performing Loans (+)	-	3.901.728	1.485.064
Transfers to Other Categories of Non-Performing Loans (-)	3.901.728	1.485.064	-
Collections (-)	727.622	638.986	423.230
Write-offs (-) (**)	3.271.451	2.607	124.599
Sold Portfolio (*)	-	-	1.218.371
Corporate and Commercial Loans	-	-	299.572
Consumer Loans	-	-	409.406
Credit Cards	-	-	509.393
Other	-	-	-
Balance at the End of the Period	**1.681.186**	**2.853.788**	**3.904.054**
Specific Provisions (-)	724.871	1.226.217	2.929.813
Net Balance at Balance Sheet	**956.315**	**1.627.571**	**974.241**

(*) TL 774 million (in full TL principal amount) portion of the Bank's non-performing loan portfolio has been sold at a price of TL 36 million (in full TL amount) to 3 companies Efes Varlık Yönetim A.Ş., Hayat Varlık Yönetimi A.Ş. and Final Varlık Yönetimi A.Ş. TL 446 million (in full TL principal amount) portion of the Bank's non-performing loan portfolio has been sold at a price of TL 19.4 million (in full TL amount) to 3 companies Arsan Varlık Yönetim A.Ş., İstanbul Varlık Yönetimi A.Ş. and Sümerl Varlık Yönetimi A.Ş.

(**) Within the scope of acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral, the Bank has been transferred cash loan risk amounted TL 3.269 millon from "Loans and receivables under follow up" to "Non-performing Loans" and subsequently write off TL 3.269 millon. The related transferred and write-off amounts are included in "Additions" and "Write-off" lines.

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10. (iii) Information on non-performing loans granted as foreign currency loans:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2018			
Balance at the End of the Period	239.210	1.583.409	533.704
Specific Provision (-)	87.114	532.960	279.665
Net Balance on Balance Sheet	152.096	1.050.449	254.039
Prior Period: 31 December 2017			
Balance at the End of the Period	17.562	28.123	749.304
Specific Provision (-)	17.562	28.123	439.455
Net Balance at Balance Sheet	-	-	309.849

In Parent Bank, non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

10. (iv) Breakdown of non-performing loans according to their gross and net values:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net): 31 December 2018			
Loans granted to corporate entities and real persons (Gross)	1.681.186	2.853.788	3.904.054
Specific Provision Amount (-)	724.871	1.226.217	2.929.813
Loans granted to corporate entities and real persons (Net)	956.315	1.627.571	974.241
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-
Prior Period (Net): 31 December 2017			
Loans granted to corporate entities and real persons (Gross)	579.034	650.121	3.731.468
Specific Provision Amount (-)	579.034	650.121	3.154.088
Loans granted to corporate entities and real persons (Net)	-	-	363.747
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-

10. (v) Information on the collection policy of non-performing loans and other receivables:

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals.

	III. Group	IV. Group	V. Group
Current Period: 31 December 2018			
Interest accruals and valuation differences	163.127	361.402	139.094
Provision (-)	84.613	168.980	105.678
Prior Period: 31 December 2017			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

g. Financial Assets Measured at Amortised Cost

1. Information on financial subject to repurchase agreements and those given as collateral/blocked:

(i). Financial assets measured at amortised cost:

	Current Period 31 December 2018 TL	FC
Given as collateral/blocked	-	659.977
Subject to repurchase agreements	151.531	2.482.866
Total	**151.531**	**3.142.843**

(ii). Held-to-maturity investments:

	Prior Period 31 December 2017 TL	FC
Given as collateral/blocked	116.330	1.842.301
Subject to repurchase agreements	4.089.705	8.110.245
Total	**4.206.035**	**9.952.546**

2. Information about Government debt securities:

(i). Financial assets measured at amortised cost:

	Current Period 31 December 2018
Government debt	9.062.489
Treasury bonds	-
Other government debts	691.694
Total	**9.754.183**

(ii). Held-to-maturity:

	Prior Period 31 December 2017
Government debt	13.596.948
Treasury bonds	-
Other government debts	2.546.431
Total	**16.143.379**

3. (i). Measured at amortised cost:

	Current Period 31 December 2018
Debt Securities	12.328.066
Quoted at stock exchange	12.328.066
Not quoted at stock exchange	-
Impairment (-)	64.585
Total	**12.263.481**

(ii). Held-to-maturity:

	Prior Period 31 December 2017
Debt Securities	19.132.124
Quoted at stock exchange	19.132.124
Not quoted at stock exchange	-
Impairment (-)	249.092
Total	**18.883.032**

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4. (i). The movement of financial assets at amortised costs:

	Current Period 31 December 2018
Balance at the Beginning of the Period	18.883.032
Foreign Currency Differences on Monetary Assets	1.683.147
Purchases During Year	1.654.189
Disposals Through Sales and Redemptions (*)	(10.713.907)
Impairment Provision	184.506
Change in Amortised Cost	572.514
Balance at the End of the Period	**12.263.481**

(*) The Bank has reviewed its management model for securities in accordance with TFRS 9 standard. Securities amounting to TL 4.927.185 previously classified as held to maturity and measured at amortised cost are classified to fair value through other comprehensive income because of the appropriate management model is intended to be used for selling or financing cash flows.

(ii). Held-to-maturity:

	Prior Period 31 December 2017
Balance at the Beginning of the Period	17.976.870
Foreign Currency Differences on Monetary Assets	1.223.819
Purchases During Year	226
Disposals Through Sales and Redemptions	(766.185)
Impairment Provision	(75.298)
Change in Amortised Cost	523.600
Balance at the End of the Period	**18.883.032**

h. Information on investments in associates (Net):

1. Non-consolidated associates:

1 (i). Reasons for being out of consolidation for non-consolidated associates: In accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks they have been left out of the scope of consolidation.

1 (ii). Information about non-consolidated associates:

	Title	Address (City / Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	9,98	9,98
2	Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	9,09	9,09

1 (iii). Main financial figures of associates, in the order of the above table:

The financial figures stated below have been obtained from the financial statements date 30 September 2018.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	94.425	57.724	48.696	1.137	-	8.630	3.260	-
2	296.536	193.394	177.837	5.984	39	23.681	28.103	-

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1 (iv). Movement schedule for non-consolidated subsidiaries:

	Current Period 31 December 2018
Balance at the Beginning of the Period	3.923
Movements During the Period	
Purchases	-
Bonus Shares and Contributions to Capital (*)	1.598
Dividends from Current Year Income	-
Sales/Liquidation	-
Revaluation Increase	-
Impairment Provision (-)	-
Balance at the End of the Period	5.521
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) The amount is derived from the increase in the capital of Bankalararası Kart Merkezi A.Ş., 9,98% subsidiary of the Bank, by TL 16.000.

	Prior Period 31 December 2017
Balance at the Beginning of the Period	3.923
Movements During the Period	
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends from Current Year Income	-
Sales/Liquidation	-
Revaluation Increase	-
Impairment Provision (-)	-
Balance at the End of the Period	3.923
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

2. Consolidated subsidiaries within the current period: None.

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i. Information on subsidiaries (Net):

1. Information related to shareholders' equity of major subsidiaries:

The following amounts have been obtained from the financial statements as of 31 December 2018 prepared in accordance with legislation in which companies are subject to.

	Ak Finansal Kiralama A.Ş.	Ak Yatırım Menkul Değerler A.Ş.	Ak Portföy Yönetimi A.Ş.	Akbank AG	AkÖde A.Ş.
Paid in Capital	235.007	96.802	10.534	740.648	12.000
Share Premium	-	-	-	-	-
Reserves	575.244	61.081	18.310	3.274.431	-
Gains recognized in equity as per TAS	-	(1.671)	(151)	-	-
Profit/Loss	(81.083)	240.253	42.831	233.114	(3.092)
- Net Current Period Profit	(81.083)	113.732	42.277	233.114	(3.092)
- Prior Year Profit/Loss	-	126.521	554	-	-
Development Cost of Operating Lease (-)	28	1.231	-	289	-
Remaining other intangible assets after offset with the related deferred tax liability excluding mortgage servicing rights	1.658	14.156	119	5.421	-
Total Common Equity	**727.482**	**381.078**	**71.405**	**4.242.483**	**8.908**
Total Additional Tier I Capital	**-**	**-**	**-**	**-**	**-**
Portion of Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities not deducted from the Common Equity as per the 1st Clause of Provisional Article 2 of the "Regulation on the Equity of Banks" (-)	-	-	-	-	-
Total Tier I Capital	**727.482**	**381.078**	**71.405**	**4.242.483**	**8.908**
Tier II Capital	**142.841**	**301**	**5**	**36.976**	**-**
CAPITAL	**870.323**	**381.379**	**71.410**	**4.279.459**	**8.908**
Deductions from Capital	**-**	**-**	**-**	**-**	**-**
TOTAL CAPITAL	**870.323**	**381.379**	**71.410**	**4.279.459**	**8.908**

The Bank's subsidiaries, included in the consolidated calculation of capital requirement, do not have additional capital requirements.

2. Non-consolidated subsidiaries: None.

3. Consolidated subsidiaries:

	Title	Address (City / Country)	Bank's Share Percentage-If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1	Ak Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	99,99
2	Ak Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	100,00
3	Ak Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	100,00
4	Akbank AG	Frankfurt/Germany	100,00	100,00
5	AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.	İstanbul/Türkiye	100,00	100,00

4. Main financial figures of consolidated subsidiaries, in the order of the above table:

The following amounts have been obtained from the financial statements as of 31 December 2018 prepared in accordance with legislation in which companies are subject to.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	6.721.084	727.160	177.306	543.528	-	(81.083)	56.786	-
2	731.135	396.465	20.175	254.561	(1.258)	113.732	55.812	-
3	84.886	71.524	2.121	10.498	-	42.277	33.818	-
4	27.317.608	4.248.193	6.294	1.203.250	68.241	233.114	218.727	-
5	10.063	8.908	768	376	-	(3.092)	-	-

Though not being the subsidiary of the Bank, A.R.T.S Ltd. which was established in November 1999 respectively in connection with rising long-term financing, is included in the full scope of consolidation as "Structured Entity" due to the 100% control of this entity by the Group.

5. Movement schedule for consolidated subsidiaries:

	Current Period 31 December 2018
Balance at the Beginning of the Period	4.133.098
Movements During the Period	
Additions (*)	62.000
Bonus Shares and Contributions to Capital	-
Dividends from Current Year Income	304.959
Sales/Liquidation	-
Revaluation Increase (**)	952.084
Revaluation/Impairment	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries	-
Balance at the End of the Period	5.452.141
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) Amounts refers to TL 12.000 that the Bank pays for the establishment capital of AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş., and the capital increase of Ak Yatırım Menkul Değerler by TL 50.000 which are wholly owned subsidiaries of the Bank.
(**) Amounts refer to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note III of the Section Three.

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	Prior Period 31 December 2017
Balance at the Beginning of the Period	3.334.164
Movements During the Period	
Additions (*)	6.455
Bonus Shares and Contributions to Capital (*)	1.545
Dividends from Current Year Income	365.117
Sales/Liquidation (**)	2.243
Revaluation Increase (***)	423.574
Revaluation/Impairment	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries	-
Balance at the End of the Period	4.133.098
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

(*) Amounts arises from the capital of Ak Portföy Yönetimi A.Ş is increased by TL 8.000 including TL 6.455 in cash and TL 1.545 from internal sources.
(**) The amount represents the liquidation of Akbank (Dubai) Limited which is 100% subsidiary of the Bank.
(***) Amounts refer to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note III of the Section Three.

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

Subsidiaries	Current Period 31 December 2018
Banks	4.248.193
Insurance Companies	-
Factoring Companies	-
Leasing Companies	727.051
Finance Companies	-
Other Financial Subsidiaries	476.897

Subsidiaries	Prior Period 31 December 2017
Banks	2.982.385
Insurance Companies	-
Factoring Companies	-
Leasing Companies	859.897
Finance Companies	-
Other Financial Subsidiaries	290.816

7. Subsidiaries quoted to a stock exchange: None.

j. Information on joint ventures: None

k. Information on finance lease receivables (Net):

	Current Period 31 December 2018	
	Gross	Net
2017	-	-
2018	2.480.090	2.178.794
2019	1.568.621	1.341.508
2020 and following years	2.563.373	2.294.827
Total	**6.612.084**	**5.815.129**

	Prior Period 31 December 2017	
	Gross	Net
2017	-	-
2018	2.463.302	2.160.175
2019	1.477.983	1.237.783
2020 and following years	2.800.478	2.467.460
Total	**6.741.763**	**5.865.418**

l. Information on the hedging derivative financial assets:

	Current Period 31 December 2018	
	TL	FC
Fair Value Hedge	2.957.837	110.989
Cash Flow Hedge	1.735.939	253.669
Net Investment Hedge in a foreign operation	-	-
Total	**4.693.776**	**364.658**

	Prior Period 31 December 2017	
	TL	FC
Fair Value Hedge	973.630	31.206
Cash Flow Hedge	-	131.448
Net Investment Hedge in a foreign operation	-	-
Total	**973.630**	**162.654**

m. Information on tangible assets:

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 January 2017. The revaluation difference amounting to TL 2.465.549 is shown under "Investment Properties Revaluation" in the below table.

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	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2017				
Cost	3.066.411	1.298.285	49.731	4.414.427
Accumulated Depreciation(-)	117.491	871.020	-	988.511
Net Book Value	**2.948.920**	**427.265**	**49.731**	**3.425.916**
Current Period End: 31 December 2018				
Net Book Value at the Beginning of the Period	2.948.920	427.265	49.731	3.425.916
Additions	25.432	386.666	321.617	733.715
Investment Properties Revaluation differences	-	-	-	-
Transferred	11.986	2	(23.553)	(11.565)
Disposals (-), net	4.404	824	-	5.228
Depreciation (-)	27.458	156.757	-	184.215
Impairment	429	-	-	429
Cost at Period End	3.095.734	1.623.832	347.795	5.067.361
Accumulated Depreciation at Period End (-)	140.829	967.480	-	1.108.309
Closing Net Book Value	**2.954.905**	**656.352**	**347.795**	**3.959.052**

	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2016				
Cost	847.369	1.152.108	2.383	2.001.860
Accumulated Depreciation(-)	337.606	782.893	-	1.120.499
Net Book Value	**509.763**	**369.215**	**2.383**	**881.361**
Current Period End: 31 December 2017				
Net Book Value at the Beginning of the Period	509.763	369.215	2.383	881.361
Additions	5.506	186.295	52.980	244.781
Investment Properties Revaluation differences	2.465.549	-	-	2.465.549
Transferred	9.262	-	(9.262)	-
Disposals (-), net	9.856	493	-	10.349
Depreciation (-)	29.831	124.122	-	153.953
Impairment	(1.473)	-	-	(1.473)
Cost at Period End	3.066.411	1.301.915	46.101	4.414.427
Accumulated Depreciation at Period End (-)	117.491	871.020	-	988.511
Closing Net Book Value	**2.948.920**	**430.895**	**46.101**	**3.425.916**

n. Information on intangible assets:

1. Cost and accumulated amortization at the beginning and end of the period:

	Current Period 31 December 2018
Cost	1.379.705
Accumulated Amortization (-)	733.512
Net Book Value	**646.193**
	Prior Period 31 December 2017
Cost	1.040.085
Accumulated Amortization (-)	561.543
Net Book Value	**478.542**

2. Reconciliation of movements for the current period and prior period:

	Current Period 31 December 2018
Opening Balance Net Book Value	**478.542**
Additions	340.863
Disposals (-), net	-
İmpairment (-)	-
Depreciation (-)	173.212
Closing Net Book Value	**646.193**
	Prior Period 31 December 2017
Opening Balance Net Book Value	**361.527**
Additions	238.841
Disposals (-), net	-
İmpairment (-)	-
Depreciation (-)	121.826
Closing Net Book Value	**478.542**

o. Information on the investment properties: None.

p. Information on deferred tax asset:

As of 31 December 2018, foreign currency deferred tax asset of the Group is TL 192.614 (31 December 2017: TL 37.525). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank and in consolidated subsidiaries, are presented as net on an individual entity level. As noted in Note XVII of Section Three, for the purposes of consolidated financial statements deferred taxes arising from different consolidated subsidiaries are presented separately in assets and liabilities.

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	Accumulated temporary differences	Deferred tax assets/liabilities
Current Period - 31 December 2018		
Employee benefits	325.249	71.324
Expected Credit Losses (Stage 1 and Stage 2)	4.040.886	893.268
Other	589.796	126.938
Differences between book value and tax base of property, plant and equipment	(743.336)	(163.498)
Differences between book value and tax base of financial assets	(3.509.346)	(765.250)
Investment Properties Revaluation differences	(2.461.256)	(300.829)
Country risk provision	(340.612)	(108.996)
Deferred Tax Asset/(Liabilities) Net		**(247.043)**
Prior Period - 31 December 2017		
Employee benefits	300.953	68.041
Other	435.844	87.943
Differences between book value and tax base of property, plant and equipment	(584.033)	(122.011)
Differences between book value and tax base of financial assets	(1.229.276)	(241.586)
Country risk provision	(2.465.549)	(162.883)
Investment Properties Revaluation differences	(233.796)	(74.815)
Deferred Tax Asset/(Liabilities) Net		**(445.311)**

q. Information on property and equipment held for sale and related to discontinued operations:

	Current Period 31 December 2018
Cost	264.463
Accumulated Depreciation (-)	79
Net Book Value	**264.384**

	Current Period 31 December 2018
Opening Balance Net Book Value	133.515
Additions (*)	180.171
Disposals (-), net	49.220
Impairment (-)	82
Depreciation (-)	-
Closing Net Book Value	**264.384**

(*) The Bank has participated in 35,56% of recently established Levent Yapılandırma Yönetimi A.Ş. and the Bank's share of TL 18 has been classified under property and equipment held for sale purpose , as stated in I-f-2 in section V. Related amount reflected on "additions" row of table above.

	Prior Period 31 December 2017
Cost	133.682
Accumulated Depreciation (-)	167
Net Book Value	**133.515**

	Prior Period 31 December 2017
Opening Balance Net Book Value	**74.188**
Additions	101.666
Disposals (-), net	42.179
Impairment (-)	160
Depreciation (-)	-
Closing Net Book Value	**133.515**

r. Information on other assets:

Other assets amounting to TL 6.462.174 (31 December 2017: TL 4.036.435) on the balance sheet and do not exceed 10% of the total assets, excluding the off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits: There are no seven-day notification deposits.

1 (i). Current Period – 31 December 2018:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	6.822.980	6.345.091	36.807.411	1.723.512	3.056.761	1.092.246	20.081	**55.868.082**
Foreign Currency Deposits	23.465.232	14.864.820	54.167.714	2.668.885	7.938.266	15.349.849	1.782	**118.456.548**
Residents in Turkey	19.626.445	14.444.683	50.220.130	1.518.271	1.709.742	2.829.814	1.623	**90.350.708**
Residents Abroad	3.838.787	420.137	3.947.584	1.150.614	6.228.524	12.520.035	159	**28.105.840**
Public Sector Deposits	1.071.679	18.189	24.832	2.937	175	410	-	**1.118.222**
Commercial Deposits	6.762.192	5.773.856	6.509.480	244.718	153.281	333.052	-	**19.776.579**
Other Institutions Deposits	250.105	469.459	1.277.232	10.479	629.880	237.530	-	**2.874.685**
Precious metals Deposits	2.274.974	1.274	-	4.647	185.632	17.872	-	**2.484.399**
Interbank Deposits	1.487.220	1.476.252	4.329.783	301.072	457.058	-	-	**8.051.385**
The CBRT	-	-	-	-	-	-	-	**-**
Domestic Banks	9.795	1.438.343	345.038	6.275	342.171	-	-	**2.141.622**
Foreign Banks	123.202	37.909	3.984.745	294.797	114.887	-	-	**4.555.540**
Participation Banks	1.354.223	-	-	-	-	-	-	**1.354.223**
Other	-	-	-	-	-	-	-	**-**
Total	**42.134.382**	**28.948.941**	**103.116.452**	**4.956.250**	**12.421.053**	**17.030.959**	**21.863**	**208.629.900**

1 (ii). Prior period - 31 December 2017:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	8.420.445	15.472.883	32.004.674	492.472	646.290	637.816	33.627	**57.708.207**
Foreign Currency Deposits	16.199.712	20.066.109	34.211.237	2.671.605	8.981.737	12.617.477	1.760	**94.749.637**
Residents in Turkey	13.484.283	19.229.083	31.769.630	1.204.784	1.228.293	1.852.106	1.559	**68.769.738**
Residents Abroad	2.715.429	837.026	2.441.607	1.466.821	7.753.444	10.765.371	201	**25.979.899**
Public Sector Deposits	309.841	16.456	11.269	3.526	184	175	-	**341.451**
Commercial Deposits	9.223.734	7.766.297	11.749.333	238.126	802.779	283.133	-	**30.063.402**
Other Institutions Deposits	236.231	234.193	2.501.398	22.089	65.272	153.181	-	**3.212.364**
Precious metals Deposits	1.332.683	-	3.320	-	115.427	-	-	**1.451.430**
Interbank Deposits	1.187.569	3.958.736	6.544.389	1.487.055	720.384	30.904	-	**13.929.037**
The CBRT	-	-	-	-	-	-	-	**-**
Domestic Banks	15.006	3.594.150	394.002	6.134	158.491	-	-	**4.167.783**
Foreign Banks	378.083	364.586	6.150.387	1.480.921	561.893	30.904	-	**8.966.774**
Participation Banks	794.480	-	-	-	-	-	-	**794.480**
Other	-	-	-	-	-	-	-	**-**
Total	**36.910.215**	**47.514.674**	**87.025.620**	**4.914.873**	**11.332.073**	**13.722.686**	**35.387**	**201.455.528**

2. Information on saving deposits insurance:

Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund: The deposit amounts of the consolidated subsidiaries located abroad are subject to local insurance regulations and are not included in the table below.

	Under the Guarantee of Deposit Insurance	Exceeding the Limit of Deposit Insurance
	Current Period 31 December 2018	Current Period 31 December 2018
Saving Deposits	23.246.737	32.618.885
Foreign Currency Saving Deposits	10.341.024	50.682.638
Other Deposits in the Form of Saving Deposits	1.256.207	1.034.751
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-

	Under the Guarantee of Deposit Insurance	Exceeding the Limit of Deposit Insurance
	Prior Period 31 December 2017	Prior Period 31 December 2017
Saving Deposits	24.508.782	33.195.768
Foreign Currency Saving Deposits	8.512.809	36.271.768
Other Deposits in the Form of Saving Deposits	736.725	594.201
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-

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

	Current Period 31 December 2018
Foreign Branches' Deposits and other accounts	375
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	1.208.455
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-

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	Prior Period 31 December 2017
Foreign Branches' Deposits and other accounts	1.381
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	926.384
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-

b. Information on trading derivative financial liabilities:

(i). Table of derivative financial liabilities (*):

	Current Period 31 December 2018	
	TL	FC
Forward Transactions	344.315	-
Swap Transactions	10.328.830	853.826
Futures Transactions	-	-
Options	2.910	606.512
Other	-	-
Total	**10.676.055**	**1.460.338**

(*) Excluding hedge transactions

(ii). Table of negative differences for trading derivative financial liabilities:

	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	453.595	-
Swap Transactions	3.714.176	1.013.844
Futures Transactions	-	-
Options	2.808	239.405
Other	-	-
Total	**4.170.579**	**1.253.249**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 31 December 2018	
	TL	FC
Borrowings from the CBRT	-	-
From Domestic Banks and Institutions	279.606	1.268.471
From Foreign Banks, Institutions and Funds	477.107	41.624.699
Total	**756.713**	**42.893.170**

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	Prior Period 31 December 2017	
	TL	FC
Borrowings from the CBRT	-	474.031
From Domestic Banks and Institutions	325.546	688.817
From Foreign Banks, Institutions and Funds	49.528	32.089.277
Total	**375.074**	**33.252.125**

2. Information on maturity structure of borrowings:

	Current Period 31 December 2018	
	TL	FC
Short-term	253.087	1.223.517
Medium and Long-term	503.626	41.669.653
Total	**756.713**	**42.893.170**

	Prior Period 31 December 2017	
	TL	FC
Short-term	232.934	2.047.389
Medium and Long-term	142.140	31.204.736
Total	**375.074**	**33.252.125**

Securitized borrowings procured via A.R.T.S. Ltd. ("Structured Entity") which the Bank has 100% controlling power, are included in external funding sources of the Bank. Under the securitization program agreements, the Bank has sold foreign trade and customer receivables to A.R.T.S. Ltd.

3. The liabilities providing the funding sources of the Group are deposits, borrowings, marketable securities issued and money market borrowings. Deposits are the most important funding source of the Group and the diversification of these deposits by number and type of depositors with a stable structure does not create any risk concentration. The borrowings are composed of funds such as syndicated and securitized borrowings and post-financing obtained from different financial institutions with different maturity-interest structures and characteristics. There is no risk concentration in any of the funding sources of the Group.

d. Information on securities issued (Net):

	Current Period 31 December 2018	
	TL	FC
Bank bills	2.847.485	-
Bonds	2.007.243	8.216.719
Total	**4.854.728**	**8.216.719**

	Prior Period 31 December 2017	
	TL	FC
Bank bills	4.012.498	-
Bonds	3.124.772	8.717.955
Total	**7.137.270**	**8.717.955**

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e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 3.364.074 under "Other Liabilities" (31 December 2017: TL 1.178.360) and do not exceed 10% of the total balance sheet.

f. Information on financial leasing agreements: None.

g. Information on the hedging derivative financial liabilities:

	Current Period 31 December 2018	
	TL	FC
Fair Value Hedge	2.611	41.041
Cash Flow Hedge	644.958	-
Net Investment Hedge in a foreign operation	-	-
Total	**647.569**	**41.041**

Table of negative differences for the hedging dervative financial liabilities:

	Prior Period 31 December 2017	
	TL	FC
Fair Value Hedge	-	74.911
Cash Flow Hedge	-	-
Net Investment Hedge in a foreign operation	-	-
Total	**-**	**74.911**

h. Information on provisions:

1. (i) Information on reserves for employee rights:

Balance Sheet Obligations for:	Current Period 31 December 2018
- Post-employment benefits (pension and medical)	-
- Reserve for employment termination benefits	208.632
- Reserve for unused vacation	102.878
Total	**311.510**

Balance Sheet Obligations for:	Prior Period 31 December 2017
- Post-employment benefits (pension and medical)	-
- Reserve for employment termination benefits	209.829
- Reserve for unused vacation	91.124
Total	**300.953**

As explained in Note 1(ii) below, there is no liability that needs to be accounted under the balance sheet since the Fund's fair value compensates for defined benefit obligations.

Income Statement Charge for:	Current Period 31 December 2018
- Post-employment benefits (pension and medical)	(232.880)
- Reserve for employment termination benefits	(68.105)
- Reserve for unused vacation	(17.026)
Total	**(318.011)**

Income Statement Charge for:	Prior Period 31 December 2017
- Post-employment benefits (pension and medical)	(204.575)
- Reserve for employment termination benefits	(47.367)
- Reserve for unused vacation	(9.147)
Total	**(261.089)**

The charge for the post-employment benefits represents the cash payments, which represent the employer's contribution determined by the Social Security Law no: 506 and additional 2% contribution of the employer. The employer's contribution amounting to TL 232.880 (31 December 2017: TL 204.575) during the year has been included in employee costs under operating expenses.

1. (ii) Employment termination benefits and unused vacation rights:

According to Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The compensation amount equals to one month's salary of an employee for each year of service, but this amount is limited up to severance limit decided by law. This liability is not subject to any funding legally and there is no funding requirement.
The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current Period 31 December 2018
Discount Rate (%)	4,91
Rate for the Probability of Retirement (%)	94,45

	Prior Period 31 December 2017
Discount Rate (%)	4,00
Rate for the Probability of Retirement (%)	94,45

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of TL 6.017,60 (1 July 2018: TL 5.001,76) effective from 1 July 2018 has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits during the period are as follows:

	Current Period 31 December 2018
Prior Period Closing Balance	**209.829**
Recognized as an Expense During the Period	69.921
Actuarial Loss/(Gain)	(6.951)
Paid During the Period	(57.597)
Balance at the End of the Period.	**215.202**

As of 31 December 2018, the Group has allocated vacation liability amounting to TL 110.046.

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	Prior Period 31 December 2017
Prior Period Closing Balance	**146.105**
Recognized as an Expense During the Period	46.243
Actuarial Loss/(Gain)	53.510
Paid During the Period	(36.029)
Balance at the End of the Period.	**209.829**

As of 31 December 2017, the Group has allocated vacation liability amounting to TL 91.124.

1. (iii) Post-employment benefits:

The Group's obligation in respect of the post-employment benefits transferrable to SSI, as explained in Note XVII of Section Three, has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Accordingly, as of 31 December 2018 , the surplus of the Fund amounts to TL 6.194 (31 December 2017: TL 207.041).

	Current Period 31 December 2018
Total Obligations	(5.784.979)
Cash value of future contributions	4.163.438
Total Transfer Obligations to SSI	**(1.621.541)**
Past service obligation	(167.755)
Total Transfer to SSI and Other Obligations	**(1.789.296)**
Fair value of assets	(1.795.490)
Surplus	**6.194**

	Prior Period 31 December 2017
Total Liabilities	(4.979.328)
Cash value of future contributions	3.817.272
Total Transfer Obligations to SSI	**(1.162.056)**
Past service obligation	(182.305)
Total Transfer to SSI and Other Obligations	**(1.344.361)**
Fair value of assets	1.551.402
Surplus	**207.041**

The amount of the post-employment medical benefits transferrable to SSI are calculated over discounted net present value of medical liabilities and health premiumsThe principal actuarial assumptions used were as follows:

Discount rate	Current Period 31 December 2018
- Pension benefits transferrable to SSI	% 9,80
- Post-employment medical benefits transferrable to SSI	% 9,80
- Other non-transferrable benefits	% 5,73

Discount rate	Prior Period 31 December 2017
- Pension benefits transferrable to SSI	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%
- Other non-transferrable benefits	4,21%

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

The movement in the fair value of plan assets of the year is as follows:

	Current Period 31 December 2018
Prior period end	**1.551.402**
Actual return on plan assets	338.869
Employer contributions	232.880
Employee contributions	199.473
Benefits paid	(527.133)
Period end	**1.795.491**

	Prior Period 31 December 2017
Prior period end	**1.394.112**
Actual return on plan assets	238.028
Employer contributions	204.575
Employee contributions	174.371
Benefits paid	(459.684)
Period end	**1.551.402**

Plan assets are comprised as follows:

	Current Period 31 December 2018	
Bank placements	1.160.797	65%
Property and equipment	17.975	1%
Marketable securities and share certificates	358.510	20%
Other	258.209	14%
Period end	**1.795.491**	**100%**

	Prior Period 31 December 2017	
Bank placements	977.331	63%
Property and equipment	18.242	1%
Marketable securities and share certificates	397.520	26%
Other	158.309	10%
Period end	**1.551.402**	**100%**

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

As of 31 December 2018, the Bank has no provision related to foreign currency differences of foreign indexed loans (31 December 2017: TL 24.016) and the related prior period amount is offset with the balance of foreign currency indexed loans.

3. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:

Provision for non-cash loans that are non-funded and non-transformed into cash as of 31 December 2018 is amounting to TL 50.740 (31 December 2017: TL 67.754).

4. Information on other provisions:

4 (i). Information on free provision for possible risks: TL 550.000 (31 December 2017: TL 700.000).

A portion of free provision amounting to TL 250.000 thousand has been reversed, during the period ended 30 June 2018. Out of free provision of TL 100.000 thousand has been recognised in current period, TL 500.000 thousand had been recognised in year of 2017 and TL 200.000 thousand had been recognised in prior periods by the Bank management considering the possible effects of the circumstances that may arise from the changes in the economy and market conditions. The amount of free provision in the accompanying financial statements is TL 550.000 thousand as of 31 December 2018.

4 (ii). Information on provisions for banking services promotion:

The Group has provision for credit cards and banking services promotion activities amounting to TL 50.044 (31 December 2017: TL 69.284).

i. Explanations on tax liability:

1. Explanations on tax liability:

Tax calculations of the Group are explained in Note XVII of Section Three. As of 31 December 2018, the corporate tax liability after the deduction of temporary taxes paid is TL 8.037 (31 December 2017: TL 751.698). The current tax asset is TL 306.034 as of 31 December 2018 (31 December 2017: None).

1 (i). Information on taxes payable:

	Current Period 31 December 2018
Corporate Taxes Payable	8.037
Taxation on Marketable Securities	165.369
Property Tax	1.983
Banking Insurance Transaction Tax (BITT)	198.927
Foreign Exchange Transaction Tax	-
Value Added Tax Payable	24.042
Other	125.982
Total	**524.340**

	Prior Period 31 December 2017
Corporate Taxes Payable	751.698
Taxation on Marketable Securities	145.567
Property Tax	1.811
Banking Insurance Transaction Tax (BITT)	127.075
Foreign Exchange Transaction Tax	-
Value Added Tax Payable	10.845
Other	91.876
Total	**1.128.872**

1 (ii). Information on premium payables:

	Current Period 31 December 2018
Social Security Premiums – Employee	1.162
Social Security Premiums – Employer	257
Bank Social Aid Pension Fund Premium- Employee	3
Bank Social Aid Pension Fund Premium – Employer	3
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	1.525
Unemployment Insurance – Employer	2.873
Other	380
Total	**6.203**

	Prior Period 31 December 2017
Social Security Premiums – Employee	1.656
Social Security Premiums – Employer	349
Bank Social Aid Pension Fund Premium- Employee	109
Bank Social Aid Pension Fund Premium – Employer	150
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	2.252
Unemployment Insurance – Employer	4.231
Other	46
Total	**8.793**

2. Information on deferred tax liability:

As of 31 December 2018, Turkish Lira deferred tax liability of the Group amounts to TL 412.665 (31 December 2017: TL 482.836). An explanation about the net deferred tax asset is given in Note I-n of Section Five.

j. Information on subordinated loan:

	Current Period 31 December 2018	
	TL	FC
Debt Instruments subject to common equity	-	-
Subordinated Loans	-	-
Subordinated Debt Instruments	-	-
Debt Instruments subject to tier 2 equity	-	4.784.477
Subordinated Loans	-	-
Subordinated Debt Instruments	-	4.784.477
Total	**-**	**4.784.477**

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	Prior Period 31 December 2017	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1.900.999
From Other Foreign Institutions	-	-
Total	**-**	**1.900.999**

Explanation about the subordinated loans is given in Note I-b of Section Four.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current Period 31 December 2018
Common Stock	4.000.000
Preferred Stock	-

	Prior Period 31 December 2017
Common Stock	4.000.000
Preferred Stock	-

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Share Capital	4.000.000	10.000.000

In the Ordinary General Assembly Meeting of the Bank, which was held on 28 March 2017, amendment to the articles of association regarding the increase of the upper limit of registered capital from TL 8.000.000 to TL 10.000.000 is accepted and the registration process has been completed as of 29 March 2017.

3. Information on the share capital increases during the period and their sources: None.

4. Information on share capital increases from capital reserves during the current period: None.

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: None.

6. The effects of anticipations based on the financial figures for prior periods regarding the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties at these indicators;

   The Group has been continuing its operations with high profitability and has been retaining most of its net profit in the equity, either by increasing its capital or transferring it into reserves. On the other hand, only a small part of the equity is allocated to investment such as associates and fixed assets, thus giving a chance for considerably high free capital which provides funds for liquid and interest bearing assets. Considering all these factors, the Group continues to its operations with strong shareholders' equity.

7. Information on privileges given to shares representing the capital: None.

8. Information on marketable securities value increase fund:

	Current Period 31 December 2018	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	(1.769.593)	(1.209.685)
Foreign Currency Differences	-	-
Total	**(1.769.593)**	**(1.209.685)**

	Prior Period 31 December 2017	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	(600.631)	(169.489)
Foreign Currency Differences	-	-
Total	**(600.631)**	**(169.489)**

l. Information on minority shares:

	Current Period 31 December 2018
Beginning Balance	139
Net Profit Share of other shareholders	(12)
Previous Term Dividend	-
Net Currency difference due to foreign subsidiaries	-
Effect of Changes within scope of consolidation	-
Balance end of Period	**127**

	Prior Period 31 December 2017
Beginning Balance	130
Net Profit Share of other shareholders	9
Previous Term Dividend	-
Net Currency difference due to foreign subsidiaries	-
Effect of Changes within scope of consolidation	-
Balance end of Period	**139**

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III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments: TL 15.158.299 asset purchase commitments (31 December 2017: TL 10.596.665), TL 19.788.847 commitments for credit card limits (31 December 2017: TL 18.431.137) and TL 2.514.769 commitments for cheque books (31 December 2017: TL 6.679.928).

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

The Group has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

2 (i).Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

	Current Period 31 December 2018
Bank Acceptance Loans	2.740.341
Letters of Credit	6.532.762
Other Guarantees and Warranties	8.579.625
Total	**17.852.728**

	Prior Period 31 December 2017
Bank Acceptance Loans	3.758.102
Letters of Credit	6.934.325
Other Guarantees and Warranties	6.338.160
Total	**17.030.587**

2 (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period 31 December 2018
Revocable Letters of Guarantee	1.015.501
Irrevocable Letters of Guarantee	20.344.230
Letters of Guarantee Given in Advance	2.723.574
Guarantees Given to Customs	2.096.019
Other Letters of Guarantee	8.763.319
Total	**34.942.643**

	Prior Period 31 December 2017
Revocable Letters of Guarantee	1.279.965
Irrevocable Letters of Guarantee	19.276.192
Letters of Guarantee Given in Advance	4.148.237
Guarantees Given to Customs	2.483.647
Other Letters of Guarantee	7.745.167
Total	**34.933.208**

3. Information on non-cash loans:

3 (i). Total amount of non-cash loans:

	Current Period 31 December 2018
Non-cash Loans Given against Cash Loans	10.507.617
With Original Maturity of 1 Year or Less Than 1 Year	5.190.839
With Original Maturity of More Than 1 Year	5.316.779
Other Non-cash Loans	42.287.753
Total	**52.795.371**

	Prior Period 31 December 2017
Non-cash Loans Given against Cash Loans	7.958.951
With Original Maturity of 1 Year or Less Than 1 Year	3.949.119
With Original Maturity of More Than 1 Year	4.009.832
Other Non-cash Loans	44.004.844
Total	**51.963.795**

3 (ii). Information on the non-cash loans classified in Group I and Group II:

	Current Period 31 December 2018			
	TL	(%)	FC	(%)
Agricultural	23.433	0,11	6.801	0,02
Farming and Raising Livestock	1.020	-	-	-
Forestry	21.678	0,10	-	-
Fishing	735	-	6.801	0,02
Manufacturing	4.725.707	21,33	12.798.375	40,68
Mining	60.568	0,27	164.438	0,53
Production	3.412.643	15,41	11.263.846	35,76
Electric, Gas and Water	1.252.496	5,65	1.370.091	4,39
Construction	3.380.984	15,26	4.735.272	15,18
Services	13.273.031	60,05	10.297.806	35,03
Wholesale and Retail Trade	8.235.314	37,18	6.492.279	20,82
Hotel, Food and Beverage Services	130.842	0,59	130.856	0,42
Transportation and Telecommunication	448.191	2,02	459.754	1,43
Financial Institutions	4.193.910	19,06	3.005.406	11,69
Real Estate and Leasing Services	20.016	0,09	40.691	0,13
Self-Employment Services	20.135	0,09	4.620	0,01
Education Services	28.564	0,13	8.553	0,03
Health and Social Services	196.059	0,89	155.647	0,50
Other	718.865	3,25	2.835.096	9,09
Total	**22.122.020**	**100,00**	**30.673.350**	**100,00**

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	Prior Period 31 December 2017			
	TL	(%)	FC	(%)
Agricultural	21.092	0,10	4.087	0,01
Farming and Raising Livestock	2.708	0,01	-	-
Forestry	18.315	0,08	4.087	0,01
Fishing	69	-	-	-
Manufacturing	4.996.328	23,08	10.247.767	33,80
Mining	70.864	0,33	207.204	0,68
Production	3.840.158	17,74	9.121.112	30,09
Electric, Gas and Water	1.085.306	5,01	919.451	3,03
Construction	3.435.621	15,87	3.070.140	10,13
Services	12.256.317	56,61	11.445.132	37,76
Wholesale and Retail Trade	7.380.034	34,09	7.724.537	25,48
Hotel, Food and Beverage Services	125.106	0,58	113.685	0,38
Transportation and Telecommunication	416.071	1,92	429.983	1,42
Financial Institutions	3.996.971	18,46	3.017.535	9,95
Real Estate and Leasing Services	7.489	0,03	28.379	0,09
Self-Employment Services	20.890	0,10	5.078	0,02
Education Services	32.167	0,15	15.056	0,05
Health and Social Services	277.589	1,28	110.879	0,37
Other	938.496	4,35	5.548.815	18,30
Total	**21.647.854**	**100,00**	**30.315.941**	**100,00**

3 (iii). Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	**20.754.391**	**29.532.632**	**1.367.629**	**1.140.719**
Letters of Guarantee	17.934.160	14.630.765	1.327.910	1.049.808
Bank Acceptances	-	2.740.342	-	-
Letters of Credit	47.035	6.396.435	-	89.291
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	24.353	-	-
Other Commitments and Contingencies	2.773.196	5.740.737	39.719	1.620

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b. Information on derivative transactions:

	Current Period 31 December 2018
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions (I)	369.339.119
FC Trading Forward Transactions	28.251.475
Trading Swap Transactions	285.000.395
Futures Transactions	-
Trading Option Transactions	56.087.249
Interest Related Derivative Transactions (II)	157.184.043
Forward Interest Rate Agreements	-
Interst Rate Swaps	137.771.766
Interest Rate Options	19.412.277
Interest Rate Futures	-
Other Trading Derivative Transactions (III)	25.036.577
A. Total Trading Derivative Transactions (I+II+III)	551.559.739
Types of Hedging Transactions	
Fair Value Hedges	21.278.727
Cash Flow Hedges	40.895.518
Foreign Currency Investment Hedges	-
B. Total Hedging Related Derivatives	62.174.245
Total Derivative Transactions (A+B)	**613.733.984**

	Prior Period 31 December 2017
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions (I)	291.553.169
FC Trading Forward Transactions	29.917.943
Trading Swap Transactions	221.864.659
Futures Transactions	-
Trading Option Transactions	39.770.567
Interest Related Derivative Transactions (II)	155.022.992
Forward Interest Rate Agreements	-
Interst Rate Swaps	94.188.668
Interest Rate Options	60.834.324
Interest Rate Futures	-
Other Trading Derivative Transactions (III)	14.849.056
A. Total Trading Derivative Transactions (I+II+III)	461.425.217
Types of Hedging Transactions	
Fair Value Hedges	15.156.543
Cash Flow Hedges	14.353.012
Foreign Currency Investment Hedges	-
B. Total Hedging Related Derivatives	29.509.555
Total Derivative Transactions (A+B)	**490.934.772**

c. Explanations on credit derivatives and risks beared due to these:

As of 31 December 2018: None (31 December 2017: None).

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d. Explanations on contingent assets and liabilities:

1. Contingent Liabilities:

The Bank has accounted a provision amounting to TL 54.154 (31 December 2017: TL 61.982) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

2. Contingent Assets:

None.

3. Explanations on the activities carried out on behalf and account of other persons:

The policy is explained on note IX in Section Four.

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans (*) :

	Current Period 31 December 2018	
	TL	FC
Short-term Loans	9.808.587	332.683
Medium and Long-term Loans	11.228.663	4.450.766
Interest on Loans Under Follow-Up	637.380	-
Premiums Received from the Resource Utilization Support Fund	-	-
Total	**21.674.630**	**4.783.449**

	Prior Period 31 December 2017	
	TL	FC
Short-term Loans	5.634.977	360.246
Medium and Long-term Loans	10.146.344	3.004.219
Interest on Loans Under Follow-Up	35.824	-
Premiums Received from the Resource Utilization Support Fund	-	-
Total	**15.817.145**	**3.364.465**

(*) Fee and commission income from cash loans are included.

2. Information on interest income on banks:

	Current Period 31 December 2018	
	TL	FC
From the CBRT	222.229	1.673
From Domestic Banks	77.811	133.419
From Foreign Banks	8.464	349.961
From Headquarters and Branches Abroad	-	-
Total	**308.504**	**485.053**

	Prior Period 31 December 2017	
	TL	FC
From the CBRT	111.157	1.458
From Domestic Banks	47.032	16.312
From Foreign Banks	5.779	72.335
From Headquarters and Branches Abroad	-	-
Total	**163.968**	**90.105**

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3. Information on interest income on marketable securities:

	Current Period 31 December 2018	
	TL	FC
From Financial Assets at Fair Value through Profit or Loss	5.417	-
Financial Assets at Fair Value through Other Comprehensive Income	4.669.923	905.176
Financial Assets Measured at Amortised Cost	1.100.786	293.674
Total	**5.776.126**	**1.198.850**

	Prior Period 31 December 2017	
	TL	FC
From Trading Financial Assets	6.866	-
From Financial Assets at Fair Value through Profit or Loss	-	-
From Available-for-sale Financial Assets	2.421.860	708.678
From Held-to-Maturity Investments	643.692	438.987
Total	**3.072.418**	**1.147.665**

4. Information on interest income received from associates and subsidiaries: None.

b. Information on interest expense:

1.Information of interest expense on borrowings (*):

	Current Period 31 December 2018	
	TL	FC
Banks	84.018	1.441.808
The CBRT	-	-
Domestic Banks	23.883	42.731
Foreign Banks	60.135	1.399.077
Headquarters and Branches Abroad	-	-
Other Institutions	-	141.416
Total	**84.018**	**1.583.224**

(*) Fee and commission expense from cash loans are included.

	Prior Period 31 December 2017	
	TL	FC
Banks	37.272	745.111
The CBRT	-	-
Domestic Banks	24.768	11.469
Foreign Banks	12.504	733.642
Headquarters and Branches Abroad	-	-
Other Institutions	-	73.698
Total	**37.272**	**818.809**

(*) Fee and commission expense from cash loans are included.

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2.Information on interest expense given to associates and subsidiaries: None.

3.Information on interest expense given to securities issued:

	Current Period 31 December 2018	
	TL	FC
Interest expense on securities issued	933.182	689.842

	Prior Period 31 December 2017	
	TL	FC
Interest expense on securities issued	502.136	569.117

4. Maturity structure of the interest expense on deposits :

There are no seven-day notification deposits.

		Time Deposits					
Current Period - 31.12.2018	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	Total
TL							
Bank Deposits	18.990	227.979	37.747	8.159	4.149	-	297.024
Saving Deposits	-	1.441.959	5.843.666	120.486	151.457	95.007	7.652.575
Public Sector Deposits	-	6.022	2.890	273	8	45	9.238
Commercial Deposits	-	970.126	1.878.039	72.544	49.464	71.300	3.041.473
Other Deposits	4	65.554	276.323	23.291	27.653	35.143	427.968
Total	18.994	2.711.640	8.038.665	224.753	232.731	201.495	11.428.278
FC							
Foreign Currency Deposits	11.206	503.176	2.094.606	106.471	297.960	201.118	3.214.537
Bank Deposits	567	31.990	158.091	16.835	11.653	313	219.449
Precious Metals Deposits	-	1	180	23	1.636	640	2.480
Total	11.773	535.167	2.252.877	123.329	311.249	202.071	3.436.466
Grand Total	30.767	3.246.807	10.291.542	348.082	543.980	403.566	14.864.744

		Time Deposits					
Prior Period – 31.12.2017	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	Total
TL							
Bank Deposits	1.281	130.602	108.071	4.284	258	76	244.572
Saving Deposits	-	1.687.188	3.357.899	62.963	59.565	69.099	5.236.714
Public Sector Deposits	-	9.937	3.135	477	85	5	13.639
Commercial Deposits	-	842.683	1.342.540	183.953	101.197	59.008	2.529.381
Other Deposits	5	62.937	237.709	44.220	110.951	24.024	479.846
Total	1.286	2.733.347	5.049.354	295.897	272.056	152.212	8.504.152
FC							
Foreign Currency Deposits	7.493	484.302	823.191	127.100	116.002	153.909	1.711.997
Bank Deposits	285	28.553	66.497	16.935	7.446	520	120.236
Precious Metals Deposits	-	-	5	-	918	375	1.298
Total	7.778	512.855	889.693	144.035	124.366	154.804	1.833.531
Grand Total	9.064	3.246.202	5.939.047	439.932	396.422	307.016	10.337.683

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c. Explanations on dividend income:

	Current Period 31 December 2018
From Financial Assets at Fair Value Through Profit or Loss	1.966
From Financial Assets at Fair Value Through Other Comprehensive Income	1.755
Other	2.845
Total	6.566

	Prior Period 31 December 2017
From Trading Financial Assets	836
From Financial Assets at Fair Value Through Profit or Loss	-
From Available-for-sale Financial Assets	345
Other (*)	1.477
Total	2.658

d. Information on trading profit/loss (Net):

	Current Period 31 December 2018
Profit	1.443.072.660
Income From Capital Market Transactions	558.060
Income From Derivative Financial Transactions (*)	30.092.471
Foreign Exchange Gains	1.412.422.129
Loss (-)	1.443.710.149
Loss from Capital Market Transactions	1.670.266
Loss from Derivative Financial Transactions (*)	25.438.905
Foreign Exchange Loss	1.416.600.978
Total (Net)	(637.489)

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL 2.716.425

	Prior Period 31 December 2017
Profit	603.156.685
Income From Capital Market Transactions	453.579
Income From Derivative Financial Transactions (*)	13.498.532
Foreign Exchange Gains	589.204.574
Loss (-)	603.686.630
Loss from Capital Market Transactions	225.480
Loss from Derivative Financial Transactions (*)	14.644.896
Foreign Exchange Loss	588.816.254
Total (Net)	(529.945)

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL (184.646).

e. Explanations on other operating income:

Other Operating Income" in the Income Statement mainly includes collections from receivables for which provision has been allocated in prior periods and provisions that have been set aside in prior periods and reversed in the current year with the sale from non-performing loans portfolio.

f. Provision expenses related to loans and other receivables of the Group:

f. (i) Expected provision expense:

	Current Period 31 December 2018
Expected Credit Loss	6.657.054
12 month expected credit loss (stage 1)	240.919
Significant increase in credit risk (stage 2)	417.177
Non-performing loans (stage 3)	5.998.958
Marketable Securities Impairment Expense	382
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	382
Investments in Associates and Subsidiaries Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	102.538
Total	**6.759.974**

f. (ii) Provision expenses related to loans and other receivables of the Bank:

	Prior Period 31 December 2017
Specific Provisions for Loans and Other Receivables	1.545.676
III. Group Loans and Receivables	580.052
IV. Group Loans and Receivables	651.253
V. Group Loans and Receivables	314.371
General Provision Expenses	258.967
Free Provision Expense for Possible Risks	500.000
Marketable Securities Impairment Expense	13
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets	13
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-maturity Investments	-
Other	137.256
Total	**2.441.912**

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g. Information related to other operating expenses:

	Current Period 31 December 2018
Personnel Expenses	2.261.321
Reserve for Employee Termination Benefits	12.224
Bank Social Aid Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	184.147
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	173.867
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Resale	82
Depreciation Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	2.501.208
Operational Leasing Expenses	240.461
Maintenance Expenses	60.861
Advertisement Expenses	125.642
Other Expenses	2.074.244
Loss on Sales of Assets	413
Other(*)	669.085
Total	**5.802.347**

(*) Includes "Personnel Expenses" which is not exist in "Other Operating Expenses" in the Income Statement.

	Prior Period 31 December 2017
Personnel Expenses	1.968.533
Reserve for Employee Termination Benefits	10.956
Bank Social Aid Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	1.473
Depreciation Expenses of Fixed Assets	153.953
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	121.826
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Resale	160
Depreciation Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	2.014.098
Operational Leasing Expenses	205.539
Maintenance Expenses	31.173
Advertisement Expenses	139.861
Other Expenses	1.637.525
Loss on Sales of Assets	731
Other	607.563
Total	**4.879.293**

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h. Information on income/loss from minority interest:

	Current Period 31 December 2018
Income/(loss) from minority interest	(13)

	Prior Period 31 December 2017
Income/(loss) from minority interest	9

i. Information on profit/(loss) from continued and discontinued operations before tax:

The Bank's income before tax consists of net interest income amounting to TL 15.595.870, net fees and commission income amounting to TL 3.718.214 and the amount of other operating expense is TL 5.802.347.

The Bank has no discontinued operations.

j. Information on tax provision of continued and discontinued operations:

As of 31 December 2018, the Group has a current tax expense of TL 1.123.468, deferred tax expense of TL 845.137 and deferred tax income of TL 541.324.

The Group has no discontinued operations.

k. Explanation on current period net profit and loss of continued and discontinued operations:

Net profit of the Group is TL 5.709.166 (31 December 2017: TL 6.020.273).

The Group has no discontinued operations.

l. Explanations on current period net profit and loss:

1. Explanation on the quality, amount and frequency of the figures of the income and expense stemming from ordinary banking operations, if necessary to understand the performance of the Group for the current period: None.
2. Explanation on the changes in the estimations regarding the figures on the financial statements, if there exists a possibility that the profit and loss for the current or the following periods will be impacted: None.

m. Other figures on profit and loss statement:

"Other Fee and Commission Income" in the Income Statement mainly consists of commissions received from credit card, money transfer and insurance transactions.

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V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

a. Information on distribution of profit:

The Ordinary General Assembly Meeting of the Bank was held on 26 March 2018. In the Ordinary General Assembly, it was decided to distribute a TL 1.600.000 cash dividend over the TL 6.039.069 net income from 2017 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 7.123 to special funds account under other capital reserves, to allocate TL 140.000 as legal and TL 4.291.946 as extraordinary reserves.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

b. Information on hedge funds:

1. Information on cash flow hedge:

Due to facts described in "Explanations of Hedging Transactions" section in Note XV of Section Four, there are discontinued hedge accounting transactions. As of 31 December 2018, the fair value change of the hedging instrument since the beginning of hedge accounting left after amortization has been reflected to profit/loss accounts that is shown under "hedging funds" in equity is TL (4.891) (31 December 2017: TL 16.073)).

2. Information on net invesment hedge:

The Bank is hedged against net investment risk arising from fluctuations in foreign exchange rates through the use of foreign currency denominated financial borrowings. In this context, effective portion of the change in foreign currency denominated financial liabilities resulting from changes in the foreign exchange rates is recognized under "Hedging reserves" within equity. As of 31 December 2018, the amount directly recognized in equity is TL (944.399) (31 December 2017: TL (559.791)).

c. Information on to foreign exchange difference:

Within the financial statements of the Group's subsidiaries founded abroad, balance sheet items are translated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under "Other profit reserves."

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

"Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are not recognized in current year income statements; they are recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are sold, disposed or impaired.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalents:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency, money in transit, bought bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months and investment in marketable securities excluding equity securities are defined as "Cash equivalents".

1. Current Period - 31 December 2018

1. (i) Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2018
Cash	**5.790.226**
Cash, Foreign Currency and Other	2.205.232
Demand Deposits in Banks (*)	3.584.994
Cash Equivalents	**6.907.240**
Interbank Money Market Placements	1.544.455
Time Deposits in Banks	5.356.284
Marketable Securities	6.501
Total Cash and Cash Equivalents	**12.697.466**

(*) The restricted demand accounts are not included.

1.(ii) Cash and cash equivalents at the end of period:

	Current Period 31 December 2018
Cash	**11.904.016**
Cash, Foreign Currency and Other	3.622.557
Demand Deposits in Banks (*)	8.281.459
Cash Equivalents	**6.528.438**
Interbank Money Market Placements	543.010
Time Deposits in Banks	5.977.566
Marketable Securities	7.862
Total Cash and Cash Equivalents	**18.432.454**

(*) The restricted demand accounts are not included.

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2. Prior Period - 31 December 2017

2.(i) Cash and cash equivalents at the beginning of the period:

	Prior Period 31 December 2017
Cash	**3.750.722**
Cash, Foreign Currency and Other	1.835.555
Demand Deposits in Banks (*)	1.915.167
Cash Equivalents	**9.076.729**
Interbank Money Market Placements	37
Time Deposits in Banks	9.029.952
Marketable Securities	46.740
Total Cash and Cash Equivalents	**12.827.451**

2.(ii) Cash and cash equivalents at the end of period:

	Prior Period 31 December 2017
Cash	**5.790.226**
Cash, Foreign Currency and Other	2.205.232
Demand Deposits in Banks (*)	3.584.994
Cash Equivalents	**6.907.240**
Interbank Money Market Placements	1.544.455
Time Deposits in Banks	5.356.284
Marketable Securities	6.501
Total Cash and Cash Equivalents	**12.697.466**

(*) The restricted demand accounts are not included.

b. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (5.750.785) (31 December 2017: TL (2.861.007)) consists mainly of items such as fees and commissions paid, other operating income excluding income from doubtful receivables, other operating expense excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (14.304.086) (31 December 2017 TL 2.910.734) consists mainly of changes in miscellaneous payables and other liabilities

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the three months periods, and amounts to TL 5.036.545 (31 December 2017: TL 685.442).

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

Information on the volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1.Current Period – 31 December 2018:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	5.605.978	923.699	-	-
Balance at the End of the Period	-	-	5.476.437	1.074.561	10.973	7.684
Interest and Commission Income Received (*)	-	-	538.870	7.893	651	42

2. Prior Period – 31 December 2017:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	4.591.797	900.600	-	-
Balance at the End of the Period	-	-	5.605.978	923.699	-	-
Interest and Commission Income Received (*)	-	-	493.633	3.633	-	-

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3. Information on deposits of the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)	Direct and Indirect Shareholders of the Group	Other Real and Legal Persons that have been included in the Risk Group
Deposit	Current Period 31.12.2018	Current Period 31.12.2018	Current Period 31.12.2018
Balance at the Beginning of the Period	-	3.074.721	2.311.399
Balance at the End of the Period	-	5.011.321	1.228.947
Interest on Expense Deposits	-	506.095	108.540

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)	Direct and Indirect Shareholders of the Group	Other Real and Legal Persons that have been included in the Risk Group
Deposit	Prior Period 31.12.2017	Prior Period 31.12.2017	Prior Period 31.12.2017
Balance at the Beginning of the Period	-	2.172.789	2.315.646
Balance at the End of the Period	-	3.074.721	2.311.399
Interest on Expense Deposits	-	216.544	188.295

4. Information on forward and option agreements and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period 31.12.2018		Current Period 31.12.2018		Current Period 31.12.2018	
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-		13.638.708	-		-
Balance at the End of the Period	-		10.451.000	-		-
Total Income/Loss	-		42.206	-		-
Transactions for Hedging Purposes						
Beginning of the Period	-		-	-		-
Balance at the End of the Period	-		-	-		-
Total Income/Loss	-		-	-		-

Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions. Accordingly, as a result of the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Group. As of 31 December 2018, the net exposure for direct and indirect shareholders of the Group is TL (303.581).

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)	Direct and Indirect Shareholders of the Group	Other Real and Legal Persons that have been included in the Risk Group
	Prior Period 31.12.2017	Prior Period 31.12.2017	Prior Period 31.12.2017
Transactions at Fair Value Through Profit or Loss			
Beginning of the Period	-	10.110.973	-
Balance at the End of the Period	-	13.638.708	-
Total Income/Loss (*)	-	(35.253)	-
Transactions for Hedging Purposes			
Beginning of the Period	-	-	-
Balance at the End of the Period	-	-	-
Total Income/Loss (*)	-	-	-

(*) 31 December 2017 balances used for income accounts.

Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions. Accordingly, as a result of the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Group. As of 31 December 2017 the net exposure for direct and indirect shareholders of the Group is TL (153.254).

5. Information regarding benefits provided to the Group's key management:

As of 31 December 2018 benefits provided to the Group's key management amounting to TL 60.407 (31 December 2017: TL 46.907).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VIII. EXPL EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the domestic and foreign branches and representatives of the bank:

	Number	Number of Employees			
Domestic Branches	780	13.354			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-shore Banking Region Branches	1	13	Malta	47.749.451	1

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure: In 2018, the Bank has opened 2 domestic branches and closed up 22 domestic branches.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The application to Capital Markets Board for increasing the Akbank's paid-in-capital by TL 1,200,000,000 (full amount of TL) from TL 4,000,000,000 000 (full amount of TL) to TL 5,200,000,000000 (full amount of TL) has been approved by the board in the meeting dated 27.12.2018 numbered 65/1535. Related approval has been publicly announced in the Board Weekly Bulletin numbered 2018/59.

Within the framework of our bank's capital increase via rights issue of TL 2,5 for each share with nominal value of TL 1 between 03.01.2019 – 17.01.2019; a total fund inflow amounting to TL 3.005.741.611,22 (full TL amount) has been received, consisting of TL 2.996.306.795,62 (full TL amount) received during the period of exercising the pre-emptive rights to purchase new shares and TL 9.434.815,60 (full TL amount) received during the sale of remaining shares at the Primary Market of Borsa Istanbul on 22 January 2019.

Applications have been made to the Capital Markets Board and the Banking Regulation and Supervision Agency for necessary approvals regarding the completion of the capital increase.

Following the related approvals, capital increase process will be finalized by executing registering and announcement procedures.

SECTION SIX
OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

None.

SECTION SEVEN
EXPLANATIONS ON AUDIT REPORT

I. EXPLANATIONS ON AUDITOR'S REPORT

The consolidated financial statements for the period ended 31 December 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The audit report dated 31 January 2019 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

APPROPRIATION OF PROFITS

The dividend policy of the Bank is to distribute cash and/or shares to a maximum of 40% of its distributable profit to shareholders, provided that there is no negative development in national and/or global economic conditions and that the Bank's capital adequacy ratio is at the targeted level.

Notwithstanding, the Board of Directors has decided to propose to the General Assembly not to distribute the net profit of TL 5.689.643.567,48 resulting from operations conducted in 2018 and to allocate all of the net profit to "Extraordinary Reserves" taking into consideration long-term interests of our shareholders, our Bank and our employees and the guidance of the Banking Regulatory and Supervisory Agency related to strengthening the capital base of our sector.

RESOLUTIONS OF THE ORDINARY GENERAL MEETING ON MARCH 25, 2019

1- Discussion of the Board of Directors Annual Report for 2018,

2- Discussion of the Auditors Reports for 2018,

3- Discussion and ratification of the financial statements for 2018,

4- Discharge of liability of the members of the Board of Directors,

5- Distribution of the 2018 net profit in accordance with the proposal of the Board of Directors, as follows;

The dividend policy of the Bank is to distribute cash and/or shares to a maximum of 40% of its distributable profit to shareholders, provided that there is no negative development in national and/or global economic conditions and that the Bank's capital adequacy ratio is at the targeted level.

Notwithstanding, the Board of Directors has decided to propose to the General Assembly not to distribute the net profit of TL 5.689.643.567.48 resulting from operations conducted in 2018 and to allocate all of the net profit to "Extraordinary Reserves" taking into consideration long-term interests of our shareholders, our Bank and our employees and the guidance of the Banking Regulatory and Supervisory Agency related to strengthening the capital base of our sector.

6- Election of Suzan SABANCI DİNÇER, Hayri ÇULHACI, Ahmet Fuat AYLA, Şakir Yaman TÖRÜNER, Nafiz Can PAKER, Emre DERMAN, Kemal Özgür DEMİRTAŞ and Eyüp ENGİN as Member of the Board of Directors and İsmail Aydın GÜNTER as an Independent Member of the Board of Directors to replace those whose terms expired until the next Ordinary General Assembly to be held on 2020,

7- To pay the Members of the Board of Directors a gross salary of TL 12,000. -per month; and also to have the Remuneration Committee that will be authorized by the Board of Directors, determine the payments that will be made to the Members in case they assume specific duties within the Bank; and to determine an upper limit of TL 20,000,000.-in gross total, for the payments that will be made to those Members who assume specific duties within the Bank until the Ordinary General Assembly that will be held in 2020,

8- Approval of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the Bank's independent auditor in 2019,

9- Amendments to the article 9 and 27 of the Bank's Articles of Association which were permitted by Capital Market Board's permission no. 3273 dated March 1, 2019, by Banking Regulatory and Supervisory Agency's permission no. 3168 dated March 5, 2019 and Republic of Turkey Ministry of Trade, General Directorate of Domestic Trade's permission no. 42440316 dated March 12, 2019,

NEW FORM
Capital and Mode and Terms of Payment of Capital: Article: 9 -
A-The Bank adopted the authorized capital system in accordance with the provisions of Capital Market Law and implemented the authorized capital system pursuant to the Capital Markets Board's permission No. 116/1376 dated December 2, 1999. The authorized capital of the Bank is TL 10,000,000,000 (ten billion) divided into 1,000,000,000,000 (one trillion) registered shares each with a nominal value of 1 Kuruş.
Capital Markets Board's approval of the authorized capital is valid between 2017 and 2021 (5 years). Even if the authorized capital has not been reached at the end of 2021, in order for the Board of Directors to take a decision to raise the Bank's capital after 2021, the Board is required obtain get the authorization of the General Assembly not longer than 5 years for a new time period after obtaining the permission of the Capital Markets Board for the previously approved authorized capital or a new authorized capital level. In case the aforementioned authorization is not obtained, the Bank shall not increase its capital with a Board of Directors' resolution. The Board of Directors is authorized to issue new shares and raise the issued capital up to the authorized capital in accordance with the provisions of the Capital Markets Law.
B- The issued capital of the Bank is TL 5,200,000,000 (five billion and two hundred million) divided into 520,000,000,000 (five hundred and twenty billion) registered shares each with a nominal value of 1 Kurus.
C- The issued capital of TL 5,200,000,000 (five billion and two hundred million) is paid fully and in cash, free from collusion.
The shares which represent the capital are registered in accordance with the principles of dematerialization.
When necessary, the Bank's capital can be raised or lowered within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Law.
D-Unless resolved otherwise by the General Assembly, the existing shareholders of the Bank are entitled to acquire, in proportion to their current shareholding, new shares to be issued against new cash capital injection. The unused preemptive rights of the shareholders entitled to these shares - in accordance with the related communiqués of the Capital Markets Board and the applicable provisions of the Turkish Commercial Code, by addressing the Bank in the time period to be determined by the Board of Directors which is not to be shorter than 15 or longer than 60 days commencing from the event depicted by the aforementioned legislation - shall be void. The shares released due to unused preemptive rights shall be subject to the applicable legislation.
E- All shares must be registered and listed on the Stock Exchange.
F- The Board of Directors is authorized to pass resolutions with respect to issuing shares at a premium or at a discount to the nominal value accordance with the provisions of the Capital Markets Law.
Meetings of the Board of Directors: Article: 27 -
The Board of Directors meets as rendered necessary by the business and transactions of the Bank. However, a minimum of one meeting per month is mandatory. Each member may request the Chairman in writing to call a meeting of the Board. The meetings of the Board of Directors take place at the Bank's headquarters. Meeting at another location which is deemed appropriate is permitted with the approval of more than half of the members and due to exceptional reasons.
Those entitled to attend the Board of Directors' meeting of the Bank may do so by electronic means pursuant to Article 1527 of the Turkish Commercial Code. The Bank may establish an Electronic Meetings System by itself to enable those entitled to attend such meetings and vote by electronic means or purchase service from the systems made for this purpose pursuant to the provisions of Communiqué on Attendance at Meetings of Trading Companies by Electronic Means other than Joint Stock Companies' General Assembly Meetings. The Bank shall enable those entitled to exercise their rights set forth in the relevant regulations within the scope of the Communiqué via the said system or the service to be purchased from system providers pursuant to this provision of the Articles of Association at all meetings.

10- Authorization of the Board of Directors regarding the empowerment of Board Members in connection with matters falling within the scope of articles 395 and 396 of the Turkish Commercial Code,

11- Approval of donation limits for the bank up to 0.4% of its equity in accordance with the Banking Law article 59.

Additionally, in accordance with item 13 of the Agenda, shareholders have been informed about;

- Donations of TL 44.165 were made by the Bank in 2018 to the foundations, associations and similar institutions,
- Remuneration Policy of Akbank, including the remuneration of the Board of Directors and Executives, has been updated according to Capital Market Board's Communique on Principles for Corporate Governance article 4.6.2 and is available on Bank's website for Shareholder's reviews.

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